

The Indonesian Quarterly

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ABSTRACTS

MULTILATERAL SECURITY FRAMEWORK IN NORTHEAST ASIA: A VIEW FROM SOUTHEAST ASIA

By Rizal Sukma

Northeast Asia does not have yet a multilateral security forum of its own. Indeed, most analysts and policy makers seem to agree that a multilateral security arrangement, which accommodates security interests of all, is needed in Northeast Asia. The question, however, is how to achieve it. This paper examines the prospects for a Northeast Asian multilateral security framework within the context of the experience of multilateralism in the wider Asia-Pacific. Unlike in the other sub-regions in Asia-Pacific, the path towards establishing a multilateral security framework in the Northeast Asian region is still blocked by many obstacles. The Six-Party Talk (SPT) which, however, despite all the problems facing it at the moment, has raised expectation and hope among regional countries that it could serve as the basis or an embryo for a formal multilateral security framework in Northeast Asia. The challenge is how to transform such expectation into reality.

REGIONAL COOPERATION AND SECURITY IN SOUTHEAST ASIA: THE ASEAN CASE

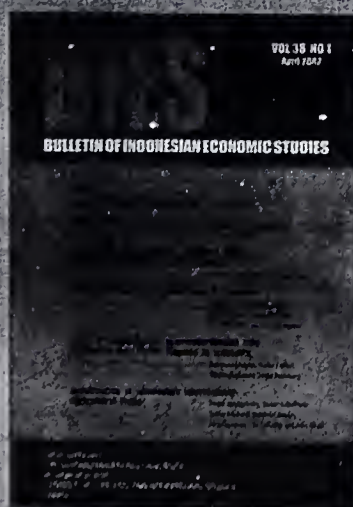
By C.P.F. Luhulima

ASEAN member countries have proved that they are capable of co-existing in peace and harmony since the association's establishment. Although regional disputes and differences have not been solved, ASEAN countries have learned in the process to diffuse or abate their conflicts and not to exploit it for their own interests at the cost of the Association. Hence, ASEAN's existence is a security guarantee for peaceful and harmonious bilateral relations. The ASEAN political instruments for security cooperation in the region remain valid and should continue to play the pivotal role, but now spelled out more specifically in the area of "confidence building measures, preventive diplomacy and the approaches to conflict resolution."

COASTAL SHRIMP CULTURE IN BANGLADESH: ECONOMIC, SOCIAL AND ENVIRONMENTAL IMPLICATIONS

By Mohammad A.T. Chowdhury, Md. Shahadat Hossain, and Md. Muhibbullah

Like other Asian countries, such as India, Indonesia and Thailand, Bangladesh has been gradually emerging as an important producer of cultured shrimp. The country produces about 4% of the annual global shrimp production along its coastal belt. The shrimp culture has had a significant impact on the economy of Bangladesh, but it has had high environmental costs too. The farmed shrimp industry (which represents a substantial component of the aquaculture) has often been criticized for its environmental damage. With the expansion of brackish-water shrimp culture the environmental impact has become a major issue. The main objective of this paper is, to show that there is a lot more to be gained by looking closely at the economic, social and environmental implications of the expansion of coastal shrimp culture, and its future in Bangladesh.



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The journal fills a significant void by providing a well respected outlet for quality research on the Indonesian economy and related fields such as law, the environment, demography, education and health. In doing so, it has played an important role since 1965 in helping the world, and Indonesians themselves, to understand Indonesia. In addition to papers reporting economic analysis and research, each issue leads with a 'Survey of Recent Developments', which aims to be accessible to non-economists, and helps to account for the journal's diverse readership within academia, government, business and the broader public.

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CURRENT EVENTS

Indonesia Textile and Garment Industry: Challenges and Prospects

Wu Chongbo

TEXTILE and Garment industry is one of the most significant sectors that give directly contribution to the economic growth in Indonesia. The Textile and Garment industry is not only absorbing many workers but also giving the biggest foreign exchange compared with other sectors.

PROFILE OF INDONESIA TEXTILE AND GARMENT INDUSTRY

According to the data from Department of Industry and Trade, the number of companies dealing with textile and garment industry in Indonesia was about 88 in 1987, and over 2000 in 1992, and it reached to 2654 in 2003. Of those companies, 28 are fiber producers, 204 yarn producers, 1043 fabric producers, 855 garment producers, and 524 other textile product producers.¹

Over the last three years the total number of textile industry producers has remained stable.

The geographical distribution of the Indonesian textile industry is highly concentrated on the island of Java, and in particular in West Java. Almost 90% of the textile industry is located in Java, and 54.8% is concentrated in West Java alone. For the garment industry, high concentration is found in West Java, Jakarta and Batam Island, the latter being a free trade zone.

About half of the country's textile production goes into the world market. The textile and garment industry as a whole counted as the single leading foreign exchange earner in non-oil and gas exports, reaching US\$6.5 billion

¹"Indonesia's Textile and Garment Industries Need New Machinery", U. S.

Commercial Service, US Embassy Jakarta, Report Date: 08/18/2004. Website: www.buyusainfo.net.

Table 1

UTILIZATION OF TEXTILE MACHINERY IN 2003 (IN MILLION TONS)

Category		2001	2002	2003
Fiber	Capacity	1.05	1.05	1.05
	Production	0.96	0.78	0.77
	Utilization (%)	91.43	74.29	73.33
Yarn	Capacity	2.32	2.34	2.33
	Production	2.03	1.65	1.64
	Utilization (%)	87.5	70.51	70.39
Fabric	Capacity	1.99	2.01	1.72
	Production	1.56	1.28	1.27
	Utilization (%)	78.39	63.68	73.84
Garment	Capacity	0.58	0.59	0.59
	Production	0.56	0.46	0.46
	Utilization (%)	96.55	77.97	77.97

Source: Ministry of Industry and Trade, Indonesia

in 1997, a tremendous increase from US\$559 million in 1985. Since early 1990s, about 16% of the total value of Indonesian manufacturing export came from apparel and garment sector. In 2000, Indonesia achieved a record of US\$8.2 billion (Rp 74.9 trillion) in exports and was ranked the 10th among the largest producing countries. The figure was US\$7.6 billion in 2001 and US\$7 billion in 2002. In 2003, Indonesia has already earned US\$7.03 billion from exporting textile and textile products, but Indonesia's rank position went down to the 17th, and accounted for only 2.15% of the US\$500 billion global garment trade. The government estimates that textile and apparel exports would increase to US\$7.5 billion in 2004.²

²http://www.fibre2fashion.com/news/NewsDetails.asp?News_id=8383

According to data from the Ministry of Trade and Industry, by 2003 as many as 2,654 textile companies across the country employed more than 1.18 million people. In 2004, Indonesia's textile industry employs about 1.5 million people, and the sector employs about 3.5 million people directly and indirectly.³

The years 2002 and 2003 were very difficult for the textile businessmen. In those years many clothing and garment factories got bankrupt. Bandung—the provincial capital of West Java and once the main textile and footwear production belt for exports and the local market—has been closed more than 100 factories over the past two years. This sector's capacity utilization is now only about 70%.

³http://www.atimes.com/atimes/Southeast_Asia/FH03Ae04.html

PROBLEMS IN INDONESIA TEXTILE AND GARMENT INDUSTRY

On 1 January 2005, a quota system designed to protect the industrial interests of the United States and the European Union from a flood of cheap imports had been abolished. Although meant to be in the spirit of a new era of free trade and the drive for liberalization, the move will put the jobs of more than 10 million workers across the developing world at risk, including thousands in Indonesia's fading textile industry. Textile producers in Indonesia have been able to continue exporting, despite rising competition, because of the quota system. When this ends, those who remain inefficient will be sidelined.

The country's textile industry was plagued by a couple of problems, including labor disputes, rising labor and energy costs and ageing machinery. In addition, many textile companies had either gone bankrupt or produced below capacity, over the years. Following are the important factors, which have contributed to the difficulties faced by Indonesia Garments Industry:

- The great problem of the Indonesian textile industry is the fierce competition coming from India, China, Pakistan, Bangladesh, Turkey, Mexico, and even Vietnam and Thailand. In the past few years, these countries have all been in-

vesting in a big way in new machines and technologies, to position strategically, by scaling up, so as to become the new dominant powers in the international market. When the quotas end, those nations, especially China and India will benefit most from the massive US and European markets. They could be the largest suppliers to the EU and US markets in the post-quota era. According to a recent WTO report, China's share of garment export to the US will rise to 50% after the quota system ends this year, up from 16% in 2002. In Europe, China's share will reach 29% in 2005, up from 20% three years earlier. The second-biggest winner will be India, whose share of US market will jump from 4% in 2002 to 15% in 2005, India's share of European market will rise from 5% to 9%. But Indonesia will lose share of US market, from 4% in 2002 to 2% in 2005, the WTO predicts.⁴ So the removal of the quota barrier is expected to make it increasingly difficult for the Indonesian textile industry.

- The industry is now ageing. According to PT Sucofindo, 57% of the machines of textile and garment factories in Indonesia are 15 years old, 18% are 10-15 years old, 18%

⁴*Far Eastern Economic Review*, 9 September 2004, 32.

⁵Jawa Pos Group: *International Daily News*, 19 Aug 2004.

are 5-10 years old and 7% aged below 5 years.⁵ The technology is obsolete, short of productivity, efficiency, and quality, not least material and energy, environment conservation. Out of more than 4,100 textile companies, at least 774 companies need to replace their old machinery. In one word, Indonesia textile industry is now in a dilemma situation, whether to allow it withers, or try to revitalize it by restructuring and reinvesting. According to Argo Group, Apac, etc., there are indeed some re-modernization plans in the pipeline, but all plans are waiting for government's financing. It is predicted that between US\$5.0 billion to US\$6.0 billion is required to update the existing machine and equipment.⁶

- Costs of production are escalating remarkably. Indonesia does not grow cotton, so the serious competitive disadvantage of Indonesia garments industry is their almost total dependence on imported cotton and cotton related inputs. The textile industry still imports more than 80% of its raw material, cotton, used to produce textile products. The Rupiah depreciation has resulted in a dramatic rise in the cost of imported cotton, and the

importers have to pay a 10% import duty, all those have forced producers to increase price to remain in business. Domestic demand consequently decreased in response to these higher prices. On the other hand, this industry imports about 90% of its cotton needs from Australia and USA. Due to the freight and transaction costs, the Indonesia Garments manufacturer buys cotton-related inputs and material at higher prices as compared to their competitors. Some businessmen say if Indonesia had its own cotton resources, it would have been the most competitive economy for garments industry in the world.

- Poor investment climate caused the foreign investors to withdraw their capital from Indonesia. Investment, especially offshore, has been lagging in Indonesia as compared with neighboring countries, mostly due to the adverse investment climate here. Before the crisis, investment was one of the country's main economic growth drivers. At present, however, it accounts for less than 15 percent of growth in the country's gross domestic product—an indicator of economic growth—with domestic consumption contributing more than 75 percent.

⁵Jawa Pos Group: *International Daily News*, 19 Aug 2004.

⁶*Indonesia Textile* magazine, July 2004, 29.

Investors have been complaining about various conditions that are detrimental to investment, including a

lack of legal certainty, widespread corruption, inefficient bureaucracy and labor disputes. For foreign investors, who invest mostly in the manufacturing sector, tax-related issues have also become a problem. In the past two years, many foreign companies coming from Japan and South Korean have shifted to China and Vietnam, where they can enjoy the better investment environment, lower wages and higher productivity. For this reason, many economists advice the Indonesian government should take a good step to improve the business and investment environment, and the government will host a series of discussion on matters concerning the textile and garment industry, with a search for ways to improve the investment climate in this country likely to be high on the agenda.

- Banks refusing to cooperate makes the situation worse. For the past couple of years, local banks have generally avoided lending to the textile industry due to high risks. Textile industrialists complained about bank reluctance to extend new credits to textile and garment industries as many banks believed the country's textile industry is no longer competitive. The bankers argued that textile and garment industries at home overdependence on quota system and American market, if textile and garment industrialists can make progress in exploiting non-traditional export

market, the banks are willing to resume their credits to this sector.⁷

GOVERNMENT'S POLICY ON TEXTILE INDUSTRY

The textile industry is expected to remain as a major contributor to Indonesia's economy. One of the leading reasons is that Indonesia still has a comparative advantage for labor-intensive industries and the sizable domestic market, given the nation's 220 million population. The Indonesian Government is taking measures as follows:

- Limiting the importation to protect local textile producers. The Ministry of Industry and Trade has issued a decree to limit textile imports in an effort to help the local industry, which has been severely hurt by massive quantities of cheap imports. Decree No. 732/2002, which was signed by minister Rini MS Soewandi in 2002, stipulates that the importation of textile products can only be done by local textile producers.
- The government has asked the textile industry to lessen the importation of textile raw materials, particularly cotton. Indonesia government warned that if Indonesia over depend on cotton, that cannot be produced in Indonesia, for the

⁷China, *International Business Daily*, 11 May 2004.

textile raw materials, this will further lessen our competitive ability in the international marketplace. As compensation, the government is trying to urge the industry to make use of local raw materials, such as flax and pineapple fiber. The government has been conducting a project to process flax into flax fibers that are ready to be twined into textile, which is in an effort to improve the use of flax fiber. This project, firstly developed in Wonosobo, Central Java, in 2003, has started to show progress. Indonesia is encouraging the marketing of this product into the international market.

- Collect fund to help firms to update their machinery. Indonesia government is expecting the domestic textile industry to buy new machines and equipments so that it would be modernized and more efficient. Many companies could not replace their aging machinery as they had been saddled with huge debts and poor cash flows. Now the government is trying to collect fund to support the replacement program.
- Urge local banks to resume their credit to this sector. And some local banks had expressed interest in providing loans for the replacement program. It is reported that at least 14 local banks have expressed interest in financing the industry.⁸

- The Indonesia government is seeking the help of China in restructuring its textile industry, Director General of Metal, Machinery, Electronics and Miscellaneous Industries Soebagyo said the government hoped the Chinese government could provide export credit facilities to China-based textile machinery makers to sell their products to Indonesia to replace the old machinery of local textile companies. Now China and Indonesia governments have agreed to form a committee to further study the possibility.

- Sent delegations to South Africa, Russia and Middle East to tap the non-traditional market.
- Holding exhibition in East Europe to expand Indonesia market. East Europe Export Push Continues. As part of its move to boost trade with non-traditional markets, Indonesia hold an exhibit at the Romanian Consumer Goods Trade Fair in July, 2004. Participation in the expo is a significant part of Indonesia's efforts to promote its export products in the international market, especially in Eastern Europe. The exhibition is expected to attract buyers from across Eastern Europe. Products to be exhibited include furniture, food products, jewelry, handicrafts, toys and garments.
- Practice new incentives, encouraging FDI to return Indonesia.

⁸The Jakarta Post, 9 September 2004.

- Despite the doom and gloom, however, the textile export industry in Indonesia is likely to survive. Though export levels are well down from the record of US\$8.26 billion at the end of the 1990s, the industry is still the largest contributor of foreign exchange among the country's non-oil-and-gas sectors. There are a couple of factors contributing to explain it:
 - The total textile production in Indonesia is valued at more than \$15 billion, and only about a third of textile exports will be affected by the quota system's remove, according to Benny Soetrisno, head of the Indonesia Textile Association (API). Non-quota countries still account for 68% of the country's exports. So the prospects for the industry were still good, though producers of textiles and garments would have to cut their selling prices by 10-15% to remain competitive in the international market.
 - As the global market becomes more challenging, Indonesia should also benefit from the integration of the regional market starting with the launch of the ASEAN (Association of Southeast Asian Nations) Free Trade Agreement (AFTA) last year. This free-market area will further expand in 2010 with the inclusion of South Korea, China and Japan. Also in 2010, the Asia-Pacific Economic Cooperation group will lower tariffs on goods exported by low-income APEC members.
 - API has pressed the government commitment to finalize its plan to develop Batam into a free-trade zone so that all textiles for export could be shipped from there, and not Singapore as is often the case. The move would make it considerably cheaper for producers, and the Riau provincial administration would enjoy the tax and ensuing economic developments.
 - According to Indonesia government, there will never be a 'sunset' in Indonesian textile industry as Indonesia is a home for 220 million people—how could the industry die? In the post quota system era, Indonesia may reposition its production direction: Clothes for Moslems and those with ethnic designs could help boost the country's textile industry. Moslem clothes, mostly produced by small and medium enterprises, draw the interest of many countries, not only in the ASEAN region but also in the Middle East, Indonesia government thus needs to push designers to create Moslem clothes that could penetrate foreign markets, even though there is a huge demand in the domestic market.
- High fashion ladies garments: Indonesia has a differential advantage in high fashion ladies garments. The availability of a wide variety of fabrics,

garments accessories, fashion schools, regular fashion shows, fashion models competitions and a substantial domestic market (young and middle aged Indonesian men and women wear western dresses) are important factors

in growth of high fashion garments industry in Indonesia. Other developing countries may not be able to compete with Indonesia in high fashion garments under free market mechanism.

Singapore-Indonesia Cooperation in The Midst of Change and New Challenges*

Jusuf Wanandi

INTRODUCTION

ON 26 December 2004, Aceh and North Sumatra were struck by the Tsunami waves. By 29 December, huge disaster relief efforts from the international community had begun to flow in. Among the first to help was the Singapore Armed Forces (SAF) followed by many other groups of volunteers, particularly medical groups from Singapore.

The SAF and the Singaporean volunteer groups did particularly well and were welcomed by the Indonesian Government, *Tentara Nasional Indo-*

nesia (TNI), and the people of Aceh, because they came even before the Indonesian Government which only began its own operations six days after the disaster struck. They also had the right capabilities and demonstrated the appropriate attitude as they provided foreign assistance. That could happen only because the SAF knows the Indonesians quite well and have been cooperating closely with TNI for over 20 years. The SAF is considered the closest to TNI among foreign military establishments and has been consulted by the TNI on many aspects of managing the humanitarian efforts of other foreign troops too.

What is the impact of Singaporean efforts, solidarity, and empathy on the future relations between Singapore and Indonesia? Will the positive im-

*This article first appeared in *Singapore Perspective*, 2005. *People and Partnership*, Gillian Koh, ed. (Singapore: Marshal Cavendish Academic), 2005.

pact on the relationship be permanent or only temporary? There are some concerns that Indonesia could return to its xenophobic character, as has been hinted at by the confusion in the discussion about the length of presence of foreign troops in Aceh. After having been silent for almost two weeks following the tsunamis, TNI announced that foreign troops would be expected to stay for no longer than three months. The Minister of Defence was then on record contradicting that, and was only later set straight by Vice President Jusuf Kalla who reiterated the three month deadline in a definitive way in mid January 2005.

It could be argued, however, that for the Acehnese, the SAF and the Singaporean volunteers have been their heroes, since thousands of them have been saved by the quick, professional assistance and relief work of the SAF and the Singaporean medical volunteer groups. For the other Indonesians, the right start has been made, establishing Singapore's image as a good neighbor who is available when Indonesia was urgently in need. That goodwill should be a strong basis for future trust and friendship between Singapore and Indonesia. It should also become the basis for more credible and useful cooperation in every field of life in the future. Singapore should continue its humanitarian efforts through participation in

the reconstruction of Aceh. A reconstruction plan for Aceh will be drafted by *Bappenas* (National Development Board), where other international agencies and representatives of other governments as well as international business and non-governmental organizations (NGOs) will also have a role to play. Since there are concerns about corruption in Indonesia, international governmental agencies, foreign businesses, or other institutions may wish to implement reconstruction efforts directly in accordance to the plan designed by the authorities, and with the participation of local partners and local workers. If possible, it should also include assistance to restart economic activities by local businesses and people. Singapore could be very helpful in providing such assistance to local businesses and NGOs.

Furthermore, what Aceh needs as a priority are hospitals and schools. These are areas to which Singapore could pay special attention. In this case, *Muhammadiyah* could be considered as a suitable Indonesian counterpart in providing and running school facilities, because the organization is very experienced in this area all over Indonesia. It has been known as the best and most respected Muslim social-educational organization in the country. For the time being, Banda Aceh has an ample field and temporary hospitals, but other parts of the province are seriously lacking such services.

Before the Tsunami disaster, they had prejudice and stereotype against each other: Singaporeans were seen as *kiasu*, only thinking about their own interests, while Indonesians were considered unorganized and unable to get their act together since the Asian Financial Crisis 1997. Hopefully, the empathy, solidarity, and quick response shown by Singapore when the Tsunami struck on December 26 would make Indonesians, in particular the Acehnese, realize that Singapore could be a partner with a big help. This would present a basis for future bilateral relations. Although there are going to be problems between the two very different countries in the future, the empathy and solidarity shown by Singapore as a neighbor should be felt and remembered.

Over the longer term, future relations between Indonesia and Singapore will also depend on three developments. The *first* relates to developments in global affairs. These include: (1) globalization of the economy and communications technology which affect all economies in the world, including Singapore and Indonesia and how each of them responds to these challenges; and (2) global or international terrorism which, combined with regional and local terrorism, creates a new challenge for the world, the region and for both our countries.

The *second* is developments in East Asia, especially with regard to how

China is going to develop in the region. These developments could present some policy options for Singapore and Indonesia. For instance, both countries share a common interest in pursuing the East Asian Community idea to cope with a rising China. The consolidation of ASEAN is also critical to both, and should constitute an important item in their agenda.

The *third* is domestic developments and changes in both countries. What impact will they have on their future relations? This is perhaps the most important development that might affect the consolidation of the bilateral relations.

GLOBAL AND REGIONAL CHALLENGES

Globalization is a huge challenge for both Indonesia and Singapore. For Indonesia, it means not only economic changes (opening up to global 'intervention' and 'influence'), but also changes in its political system (democratization), social system (a divide in the society between those participating in globalization and those that are being left behind), and even in the values system ('westernization', which is becoming the international standard).

For Indonesia, it has not been easy to make the adjustments in order to take part in the globalization process. When the economy was liberal-

ized by former President M. Soeharto, he had not prepared the populace (including the business sector) for the onslaught of globalization. Globalization was interpreted as an excuse to give his family and cronies new monopolies by teaming up with the multinationals that were entering the market. The country is huge and diverse, and in the process the hinterland was left behind economically and socially.

Singapore, although much better prepared than Indonesia, has also had to face the real challenges of globalization. Globalization is much more important for Singapore as a financial and services hub to the global economy. Even so, Singapore has to struggle continuously to move up the ladder of economic development because of competition from other countries in the region, especially China.

Members of the European Union (EU) would be able to face globalization much better as a regional institution than if they were going it alone. For both Singapore and Indonesia, ASEAN should be an important vehicle to help deal with the challenges of globalization. However, ASEAN is, at this stage, too feeble to face the challenge. The establishment of an ASEAN Community (consisting of economic, security, and socio-cultural cooperation) is a pre-requisite for a stronger ASEAN.

Another global issue that will have a bearing on Singapore-Indonesia cooperation is the issue of global and regional terrorism—a new, but deadly, challenge. Its impact on each country might not be of the same depth and breadth. For Singapore, as a global hub for services that depends on security, stability, and peace, an act of terrorism will greatly damage its credibility as a safe haven for investment and services. For Indonesia, the impact is also great but possibly less calamitous, because Indonesia has had all kinds of weaknesses before, including conflicts and acts of terrorism, local or regional, at times being supported by Al Qaeda.

There are also some differences between Singapore and Indonesia in their approach to their relationship with the United States (US). Singapore has a more intense bilateral relationship and level of cooperation with the US and seems to be evolving into a semi-ally of the US. While Indonesia is keen to develop good relations with the US, yet it has not been that close to or dependent on them. Many Indonesians, even among the foreign relations constituency, believe that 'non-alignment' is still at least half valid.

Hopefully, the disaster in Aceh and the assistance and support of the US Seventh Fleet as an expression of US solidarity and empathy or Indonesia will also open new opportunities for

closer cooperation between Indonesia and the US. In this respect, the normalization of defence cooperation between the two countries might progress faster than before. In turn, cooperation on counter-terrorism should become more acceptable to the Indonesian public.

In view of these differences, Singapore and Indonesia have to find a *modus vivendi* in facing global and regional terrorism, lest it becomes a source of friction between the two. Both countries must deepen their cooperation now to be able to cope with the bilateral relations in the future.

In fact, there is a nuance in the strategic outlook on the East Asian region between Singapore and Indonesia. Therefore, there are some real differences in their appreciation of global terrorism and cooperation with the US in relation to that new threat. Indonesia, with 85% of its population who are Muslims, is more sensitive about how this problem of 'global terrorism' is interpreted so as not to unnecessarily hurt the feelings and reactions of its Muslim populace.

On the idea of the East Asian Community, and the rise of China, both countries are realists. First, both think that the idea itself is laudable and believe that ASEAN must first get its act together before the concept of an East Asian Summit can be developed, because ASEAN constitutes

only 20% of the economies of the region and therefore will not be an equal partner to North East Asia in such a regional institution. Furthermore, the idea itself will need to be thought through more thoroughly and a high-level of buy-in to the idea secured before yet another regional institution is established. If the expectations about its future developments remain unclear, there is a danger that the organization will get stuck as is the case with other regional institutions in the Asia Pacific. Moreover, to have another East Asian Summit in parallel with the ASEAN + 3 process appears to be redundant, especially because no clear distinctions have been made about the purpose of the two processes as yet. Singapore and Indonesia have proposed that an East Asian Summit makes sense only if its proposed membership is expanded to include India, Australia, and New Zealand. This is meant to keep the balance for a peaceful and beneficial region in the future.

On China's role in the region and its peaceful rise, both are positive about their relations with China, and that these relations are beneficial for the region and for both of them. Since China is so huge, both do think, however, that the East Asian Community should be the appropriate regional institution to keep China as a *status quo* power. In the meantime,

the US presence in West Pacific is an important security guarantee, before China evolves into becoming a more democratic and transparent entity. The US is likely to be present in the region for the foreseeable future as the sole superpower maintaining the present balance of power, and it will take time to develop the East Asian Community.

On ASEAN, Singapore is very much looking forward to seeing Indonesia take a leadership role again in ASEAN. Admittedly, Indonesia's role has weakened since the 1997 Asian Financial Crisis, and the country will have to get its act together before it can assume that role. The strengthening of ASEAN needs Indonesia's positive support. Whether Indonesia could do so under the leadership of current President, Dr. Susilo Bambang Yudhoyono (SBY) remains to be seen. Under former President Megawati Sukarnoputri, Foreign Minister Hassan Wirajuda reached diplomatic achievements that allowed Indonesia to take a leadership role in ASEAN by pushing for a more balanced ASEAN Community to be established, and for it to include a security community and a socio-cultural community besides the economic community. Hopefully, that is the beginning of a new era for ASEAN.

However, ASEAN still has to overcome a big problem of credibility—that

is how to encourage Myanmar to make some important political changes before she takes over the ASEAN Chairman position in 2006. If this could not be achieved, her chairmanship of ASEAN should at least be postponed.

On Myanmar, there might be a slight difference between the positions of Singapore and Indonesia, because Singapore is more reticent about intervening in another member's problems or crises, while Indonesia has had more experiences in those efforts, for example in receiving Thai and Philippine troops in Aceh under the arrangement with the Henry Dunant Centre to implement the ceasefire for instance. Earlier, Indonesian troops were observers for a ceasefire arranged between the Moro National Liberation Front (MNLF) and the Philippines Government, where Indonesia took the role as an interlocutor in the process together with representatives of the Organization of Islamic Countries (OIC).

CHALLENGES AND CHANGES IN SINGAPORE AND INDONESIA

Although the strategic environment—global or regional—is going to influence the relationship between the two countries, domestic dynamism and developments are going to be the decisive factors in defining the relationship.

Major changes and developments are taking place in Indonesia. Indonesia has been through a traumatic period, since the crisis in 1997, and has yet to overcome its effects completely.

The crisis began as a financial crisis, but it also turned into a political crisis, simply because Soeharto went through his term of office with corrupt and authoritarian rule. Since he never prepared a real and acceptable political successor, he left a power vacuum that was filled by a crony (B. J. Habibie) and amateurs (Abdurrahman Wahid and Megawati Sukarnoputri). SBY was relatively better prepared through his time in the military and as a Minister of Energy and Minister Coordinator for Political-Security Affairs. However, he is not known to be a strong leader, and in his 30 years in the military he was Commander only once (in South Sumatra) and for a short time. He spent most of his career as chief of staff for his administration capabilities.

His indecisiveness was evident in his choice of a 'rainbow cabinet' which is so mixed that there is doubt about whether he is strong enough to unify and coordinate them. In fact, one could argue that he did not need to have such a rainbow cabinet because he had gained such overwhelming popular support in the presidential elections in 2004. Some of the parties that he brought into

his coalition only have 2 - 7.5% of the seats in Parliament. Even then, he does not enjoy majority support in Parliament. Now that his Vice-President, Jusuf Kalla has succeeded in becoming the Chairman of the *Golkar* party, the biggest faction in Parliament, the President can hope to get enough support for his programmes through Kalla.

However, there may be some backlash from the pressure imposed and money that was spent in getting Mr. Kalla into the chair of *Golkar*. In addition, it may be problematic for SBY in the future to have such a strong Vice-President in the person of Mr. Kalla. He should not repeat what has happened in Thailand under Prime Minister Thaksin Shinawatra, who thinks he is Thailand's Chief Executive Officer. In public governance, as opposed to private enterprise, there are no shortcuts. This is even more so in a very diverse society such as Indonesia.

Because of the weak leadership during the transition period, economic reforms have not been adequate. Former President Megawati had left SBY with huge unemployment and underemployment problems, rampant corruption, a mediocre legal and judicial system, and other law and order problems. This has contributed to a less than favourable investment climate. As a consequence, foreign direct investment (FDI) has not been

forthcoming and the economy is only growing by 4-5%, which is too low to absorb the average annual growth in the labor force of about 2 million.

For the SBY government, the immediate policy imperative in 2005 is eliminating the subsidies for fuel, which have increased so dramatically because of the high international price and increased imports of oil. Raising domestic fuel prices has always been a politically risky course to take, but its political fallout can be lessened if there is adequate public education on the need for it.

Social change was dramatic in the 25-year period of sustained high economic growth. The Asian Financial Crisis in 1997 brought this to an end. There are huge gaps in the Indonesian society—between those that participate in the globalized economy and are able to cope with the resulting pressures (a minority) and others who are left behind and cannot cope with the pressures (the majority).

The second group is looking for old relations and groups they have been comfortable with (such as religious groups, village groups or clans, tribes, and big families) for certainty and loyalties in an era of rapid change. They try to hold on to their traditional value systems. Every Indonesian appears to have become more religious. This is the case not only with Muslims, but also Christians, Hindus, and Buddhists.

Although the threshold for pain is high in Indonesia, it is not without limit. It would be difficult to maintain social stability if many more problems were left behind for much longer.

In the security field, local, regional, and global terrorism has struck again and again in Bali, Jakarta, and particularly in Poso (Central Sulawesi). This is not new for Indonesia, because a small but extremist Islamic wing has always existed within Indonesia. They rebelled from 1947 till 1965 in West Java and South Sulawesi, and also Aceh and East Kalimantan as they sought to establish a Muslim theocratic state or the *Darul Islam*. During the last years of Soekarno and the first 20 years of Soeharto, they were subdued. In 1988, however, Soeharto began to cultivate some of them as a counterpoint to the military that he no longer trusted. Later on, they were used, especially against the students through his son-in-law, to face the opposition. Al Qaeda recruited, indoctrinated, and trained some of them in Afghanistan. Soeharto's fall, and the anarchy and chaotic situation that ensued, created a favorable climate for the radicals to act with impunity until the Bali bombing in 2002.

The 'Afghan war' was the training ground for all potential terrorists. The Islamic radicals were able to achieve real global reach through indoctrination, training, and by pro-

viding logistical support with the most modern equipment for communication, transportation, and finances for various local struggles. This global reach and its affiliations with regional and local terrorist groups distinguished Al Qaeda from earlier local terrorist groups that were more limited in purpose and capabilities.

On the other hand, the challenges of regional and global terrorism to Singapore are great but not fatal. Three other more critical longterm challenges are immediately obvious for Singapore. *First*, Singapore will need to strive up the ladder of economic development to achieve an advanced post-industrial stage, where creativity and special services will be pre-eminent over manufacturing activities since Singapore will lose its competitiveness *vis-a-vis* other emerging economies like China in the latter. The Government will need to allow for greater freedom and liberty as it seeks to nurture greater creativity and innovation in the younger generation of Singaporeans.

At the same time, the privatization of government-linked companies in Singapore (GLCs) is a must in order to be able to create entrepreneurs that are able to compete in the world. Singaporeans have long been protected, and globalization will bring even greater turbulence and foreign influences to young Singaporeans in the future. The real challenge is how

to balance all that with some 'social engineering.' This requires a new 'social contract' with the people to transform the regime into one that assures adequate economic benefits and certainty in exchange for limited political development—empowering citizens at a comfortable but accelerating pace. Although Singapore strives also to become a global hub, it will have to depend on the region to be competitive. Here, ASEAN, especially Malaysia and Indonesia, come to mind.

Second in terms of demography people are growing old and the total fertility rate is far below replacement level. Efforts are being made to improve this fertility rate but the results remain questionable. Immigration could help overcome this, but it is not an easy proposition if big numbers are involved.

Third is the challenge of coping with the people that are being left behind, due to the impact of globalization and the hollowing-out of the manufacturing sector. Education and re-training are obvious ways in which to deal with this problem, but they will not always work for the older people. Thus, the Singapore Government is looking for a kind of social security that combines work until an older age of 70 with the re-introduction of the meaning of the big family.

These are formidable challenges even for a country that has already

achieved a first-world status. Fortunately, Singapore is well endowed with a leadership that is bright, hard-working, and not corrupt. They could bring about those necessary changes.

THE IMPACT ON BILATERAL RELATIONS

In the context of Singapore-Indonesia relations, the following needs to be kept in mind. The Indonesian people still face multiple crises. They therefore tend to be inward-looking as they concentrate on overcoming those challenges and are therefore not able to concentrate on the problems emerging at the global or regional level, nor even in neighbouring countries like Singapore.

Singapore has to be patient with Indonesia. Indonesia's renewed effort in 2004 to lead ASEAN again is only a beginning. Indonesians also feel like being left behind, and they hope that Singapore is willing to assist them. They are jealous of Singapore and still think that Singapore is too slick for them and have taken advantage of their crisis. A sense of vulnerability and inferiority is still there.

Part of the antipathy against Singapore is a function of anti-Chinese sentiments in Indonesia. Indonesian Chinese are seen as dominating Indonesia's economy. While those feelings are currently somewhat subdued, and the situation has begun to im-

prove, beneath the surface, the basic sentiment continues to exist until more social justice can be felt by the indigenous populace *vis-a-vis* the Chinese in Indonesia.

Singaporeans are often very confused about the mess in Indonesia, and wonder why the Indonesians seem incapable of overcoming their problems in comparison to Thailand and Malaysia. This comparison has clouded their opinion about Indonesia and Indonesians.

To overcome this perception, a lot of efforts must be made by both countries in explaining their respective policies to the other party, and in recognizing how the relationship has in fact improved. Singapore has become the second largest investor after Japan (with over US\$30 billion in foreign investments). Singapore also plays a dominant role in the development of Batam and Bintan and exporting non-oil commodities from there.

Singaporeans have sent public health teams to Riau and other places, for example, East Nusa Tenggara. As mentioned above, Singapore was among the first countries to send relief after the Tsunami struck Indonesia in December 2004. A good number of Indonesian students and graduates are being educated on Singapore scholarships. Most of these things are not presented to the Indonesian public.

The role of the media, especially radio and television, should be used more effectively for public information and education.

More importantly is the need for a lot more dialogues, exchanges, and cooperation on a regular basis between wider audiences on both sides because there are many other actors in the decision-making process these days, especially in Indonesia. Members of Parliament and politicians, academia and think-tanks, business persons, NGOs, and civil society are all playing a role in Indonesia's decision-making process, directly or indirectly. Contacts with their counterparts in Singapore are very important.

Having a Singapore ambassador in Jakarta who can develop an outreach to all groups in Indonesia is important to improve the understanding about Singapore in Indonesia. The exchange of highlevel officials is important because in Singapore, this is the best way to understand and have access to the decision-makers.

Special attention should also be given to relations between Muslim leaders and organizations, because Singaporean Muslims are closer to the Malaysian ones due to history and family ties. It would not hurt for them to get to know and have closer relations with the Indonesian Muslim community, who have nurtured many young scholars and whose

leaders are bright, moderate, and influential.

On the strategy against global and regional terrorism, the two countries have somewhat different approaches, but some *modus vivendi* should be established in the area of practical cooperation between police, intelligence, immigration officers, and in controlling the flow of financial resources of terrorists.

There is also a nuance in their relations with the US, especially at this difficult juncture of US relations with Muslim nations due to developments in the Middle East (Iraq and Israel-Palestine). In reality, despite the rhetoric, the Indonesian government and part of the elite are more pragmatic and do think that good relations with the US is in their own national interest. So, these differences may not be the basic problem. What is probably in dispute are the tactical measures by which they address this relationship.

On ASEAN, both have to cooperate closely together and with Malaysia to get ASEAN moving. The 2 + X principle, recently introduced by Singapore and Thailand, should not be applied until it is accepted by a substantial majority, say six of the ten members; otherwise it could be divisive for ASEAN to proceed. On the East Asian Summit, both agree that the idea should first be examined

more closely so as not to contradict the ASEAN + 3 process, and to explore the value of expanding the membership to create the balance that is needed.

Bilateral relations are basically sound but could be improved upon if some of the above proposals could be implemented by both. In sum, many issues could come up from time to time and become a real nuisance. If nothing is being done to resolve many of those issues, they could hamper the relations in the long run. Some of the unresolved issues include the agreement on an extradition treaty, the delineation of maritime borders, the smuggling of sand into Singapore, and the need to standardise and improve upon published trade figures which are currently not established according to international rules and traditions.

Both governments have started to discuss these issues, and it is hoped that they can be resolved within a reasonable time-frame. The Indonesian public is likely to demand a more transparent process in doing so.

CONCLUDING REMARKS

From an Indonesian perspective, there are two ways of looking at Singapore. One sees it as the tiny 'red dot' in the Indonesian archipelago, a term used by former President Habibie as a put-down at the height

of the Asian Financial Crisis, implying that Singapore should not try to teach her much larger neighbor, Indonesia, a lesson. Instead, it needed to listen to what Indonesia had to say.

The other is to see it as the speedboat that will help and assist the leaking big old ship called Indonesia to harbor. This implies that Singapore as a global hub for finance and services could play the role of an interlocutor to the international community to assist Indonesia to get back on her feet.

The above first view sounds too arrogant, as it is no longer valid in this era of globalization. Size no longer has the same salience in strategic terms as before. Size and population could be more of a burden than an asset for a country if there is no capacity for effective governance over it.

The second view is nearer to reality, because Indonesia continues to struggle to get back to be normal seven years after the crisis. Indonesia needs a lot of interlocutors to deal with the new challenges in the region and the world, and there is nothing wrong about this.

Indonesia has to learn that these new challenges are real and that it needs to adjust to or overcome them. It must cooperate with the region, namely ASEAN, (and perhaps the East

Asian Community in the future), and internationally. Singapore could be very helpful in this regard, and should be appreciated as such without feeling that it would degrade Indonesia's honour or standing to receive this help. After all, there could be mutual assistance and reciprocity—there will be other areas and matters in which Indonesia could help and assist Singapore.

In another respect, a lot has changed in the last seven years since the crisis and the downfall of former President Soeharto. New challenges have arisen. Earlier, the relations could be maintained and dictated by the two leaders, Soeharto and Lee Kuan Yew, but now a new generation has taken over in both countries. The relationship will have to become more broad-based.

Decision-making in Singapore is still relatively more centralized, although the private sector, the academia, the media, the younger generation, and civil society are gradually developing their influence in the governance process. In Indonesia, the decision process seems more complicated, since all those different

groups demand a say on the fate of Indonesia and therefore have to be kept informed and actively engaged by Singapore.

Both countries have a stake in each other's success, and the region is important to both. Despite the differences in development and outlook, both have a stake in strengthening regional cooperation to ensure regional stability and prosperity, and in responding to the challenges of globalization and global terrorism. Above all, each can also assist in the domestic adjustments that the other is undergoing. These are huge and complicated tasks.

To create the basis for improved and sustained relations between the two countries, a joint committee of the governments should be established to look into all the problems that remain unresolved and to propose new ways of cooperation. In addition, more dialogue and cooperation should be encouraged within the second track among policy-oriented think-tanks and academe, and the third track among actors in civil society in both countries.

REVIEW OF POLITICAL DEVELOPMENT

Diversity and Democracy under Perils

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INTRODUCTION

The politics of diversity in Indonesia prior to the 1998 Reform was constructed predominantly by the state. The construction of pluralism, be that religious and/or ethnic identities, had been manifested through the hegemonic discourse of SARA (*Suku Agama Ras dan Antar-golongan* or Ethnicity Religion Race and Inter-group), which was depicted by the state as the horrendous anathema that should not be expressed, moreover advocated. Things changed only after the fall of Soeharto when greater space for freedom of expression and democracy stimulated a more dynamic bottom-up reconstruction of Indonesian diversity. Open space, however, is not without challenges.

On 28 July 2005, Indonesia's pluralism, especially religious pluralism, is once again under grievous peril by the announcement of 11-point *fatwa* (religious guideline) by the Indonesian Ulema Council (*Majelis Ulama Indonesia*/MUI), a formal institution known to be the religio-political machinery fostered by the New Order government. The *fatwa* was used by fundamentalist groups claiming to bear the banner of Islam to sanctify the early June 2005 attack against Achmadiyah, an Islamic sect originated from Pakistan that is considered to be against Islamic teachings. Those groups had also threatened to attack the office of the Liberal Islam Network at Utan Kayu on 5 August 2005.

After two months of implementation, several predictable and interesting results of the direct regional elect-

ions (Pilkada) have been identified. In spite of some shortcomings, which are expected for such a comprehensive undertaking in such a short preparation time, the elections had gone well and smoothly. The titanic task of preparing for polling stations was accomplished.

On 15 August 2005, the Indonesian Government and the Free Aceh Movement (*Gerakan Aceh Merdeka* or GAM) signed a peace agreement that put forward the best hope yet for the solutions of a conflict that has taken away at least 9,000 lives since 1976. But the difficulties of ending a 30-year conflict must not be underestimated considering the prevalent fear and distrust.

Signing peace agreement is a cup of tea compared to the daunting task of demobilization and disarmament scheduled to begin in one month. The release of GAM prisoners took place even sooner. There have been very limited supplies of information, communication, and planning of the post-MoU peace process that may hamper attempts to secure detailed arrangements of, for example, amnesties as well as political participation. The core concerns in Jakarta circle around the possible concessions that stimulate greater supports for separatist tendencies in other part of the country.

The initiative taken by the Papua Indigenous Council (*Dewan Adat Papua* or DAP) to return the special auto-

nomy status of Papua to the central government is indicative of the limits of tolerance that Papuans are willing to share over the unresolved complexities in Papua. Unless the government come up with immediate and clear policies for Papua, domestic and international ramifications will bring about greater complexities that those of Aceh. Worst case scenario is that Papua may present another case of East Timor.

It has been almost a year since the Parliament (*Dewan Perwakilan Rakyat* or DPR) was elected in the 2004 General Elections. Yet, the Parliament has only passed two (2) laws, one on the state budget and one on industrial relations, which is way off the earlier target to endorse 55 bills. This indicates that the Parliament continues to disappoint the people they represent, despite the initial brouhaha of having younger and better educated members. It would be hard to expect the House to contribute significantly to the improvement of Indonesia's democracy in general and the country's economic recovery in particular.

MUI AND PLURALISM IN RELIGION

The recent issue of MUI's *fatwa* became problematic, since it contained a number of controversial points, such as Restriction against having to pray together with people having different

religion unless in accordance to its own religion and led by a Moslem; Restriction against pluralism, secularism and liberalism; Permission for the state to uphold public interest over private property; Restriction against female clergy to be praying leader (*imam shalat*) if there is an adult male, unless there is none; and Permission for death penalty against serious criminal violation.

Such abuse of Islam confirmed the concerns that MUI's *fatwa* could trigger violence that surely distracts social integration of the society. The main problem is that the new leadership of President Susilo Bambang Yudhoyono takes no action against this violence. This, by some hardliners, is interpreted as the government's consent to MUI's *fatwa* in general, and to the violence in particular.

Various responses to MUI's new rulings come from the Indonesian Moslems. Former Minister of Religious Affairs, Tarmizi Taher, for example, said that "the MUI's ruling that Achmadiyah is deviate is valid and can therefore not to be contested ... In Pakistan itself, Achmadiyah is officially considered deviate and not a part of Islam and its adherents are not allowed to perform the pilgrimage to Mecca."

On the other side, the former President K.H. Abdurrahman Wahid said that "What MUI wants to do is an internal matter of MUI. But, it is up to

the *ummat* to decide whether or not they want to follow MUI's decisions. In Indonesia, one who can decide which is right or wrong is only the Supreme Court." More Moslem intellectuals, such as Azymardi Azra, Ulil Abshar Abd'alla are also against the MUI's stance.

Fatwa is not a legally binding rule on all Moslems. Those obliged to obey any specific *fatwa* are the mufti, who issued it and his followers. Since there is no centralized priestly hierarchy in Islam, standardized methods to establish who can issue a valid *fatwa* or not do not exist. In reality, particularly in a secular state like Indonesia, contradictory *fatwas* are common. Several Islamic scholars complain that too many people feel authorized to issue *fatwa*.

It has been reported that hardliners groups have closed down over 20 churches in West Java. In response to this incident, President Susilo Bambang Yudhoyono has ordered Minister of Religious Affairs, Maftuh Basyuni, to investigate the issue in a prudent way. Such a permissive response could barely solve any problem. It could only make things worse. As a firm response to such permissive behavior, Azyumardi Arza, a respected Moslem scholar, demanded that the government take firm action against these hardliners "As they have taken the law into their own hands ... They have to be punished in line with the

law." His views are shared by many others.

The pain of distrust between religious communities was added with the passing of Nurcholis Madjid, a highly respected Moslem intellectual, who is also the forerunner of pluralism in Indonesia. Cak Nur educated a pluralistic and inclusive brand of Islam, accentuating its oneness with other faiths and its traditions of tolerance and diversity. On his bed shortly before his passing, he whispered to President SBY to guard pluralism. We all hope that the President would take up his words. Cak Nur died from liver cancer and will be missed greatly by all groups of society. His teachings will remain to be a great source of inspiration for the future movement to protect and advocate pluralism.

The government's inability and lack of goodwill to enforce the law for the sake of Indonesian diversity will only hurt the nation-building process even further for a country as vastly diverse as Indonesia. Democracy should not only serve the interests of majority, but also the protection of marginalized groups. Diversity can only strengthen democracy if rule of law remains impartial and firm. Without rule of law, diversity will be perverted into clashes of different identities. The new leadership of SBY should always bear that in mind before flaunting the rhetoric of Indone-

sian democracy on international stage during his visits abroad.

DEMOCRATIC DIRECT REGIONAL ELECTIONS (PILKADA)

During the implementation of Pilkada (*Pemilihan Kepala Daerah*) a number of clashes between rival groups have been reported. However, in most cases, vote counting itself has been carried out transparently. This goes to show that, in the absence of deliberate abuse, a thorough electoral system can ensure free and fair election. Moreover, with additional improvements in the coming years, the quality of elections may be improved. These elections also demonstrate that open political competition at the grassroots level need not end in vain confrontation, and that people in rural areas and villages are mature enough to embrace democracy.

Local elections are the integral part of regional autonomy. They cement this nation's genuine desire to never again allow political whims of the elitist regime take advantage of the less powerful people in the regions. These processes breed accountability and bring the essence of democracy back to the people.

Some important trends can be detected. *The first* is that major political parties and established mass organizations remain a force to be reckoned with. Their well-oiled political mach-

inery gives them greater advantage over independent candidates from smaller parties in reaching to the masses, many of whom are still easily influenced by past voting habits and manipulative campaigns.

The second is that in spite of the above, there are areas in which voters are making more rational choices. The election of Gamawan Fauzi as West Sumatra governor is one best practice of good governance. Gamawan defeated candidates from the Golkar Party, and another who is affiliated with Muslim organization Muhammadiyah, which has been predominant in the province.

Gamawan is a native West Sumatran who serves as a regent of Solok and actually lives in the province, unlike other West Sumatran candidates who spend most of their time living in Jakarta. Last year he was awarded the Bung Hatta Anticorruption Award for his "flawless" track records. Gamawan's victory is the clearest sign that people want leaders who are not only competent but also trustworthy. The Solok regent's success is another signal of how good future leaders could be born. It confirms that to get to higher political position, one does not necessarily have to stoop low to dubious practices, or bow to the whims of elites in Jakarta.

The third apparent trend is the relatively "low" voter turnout compared

to 2004 legislative and presidential elections. While current numbers in various regions have yet raised alarms, the trend needs to be monitored regularly. Overall, average voter turnout is around 70%, which, in established democracies, would be considered a good indication.

The reason for such decline has yet to be determined. The increased number of non-voters (*golongan putih* or *golput*) does not necessarily translate to greater numbers of critical mass. It could be a case of voters' fatigue after last year's legislative and presidential elections. It could also be voters' apathy. Perhaps voters could not relate to and felt no empathy for competing candidates, or perhaps they have lost faith in the process after hearing so many promises last year.

Out of 166 regions (including provinces, regencies and cities) that have succeeded in implementing direct regional elections during June-July 2005 (See Appendix 2), only 12 regions have problems with the elections. Generally speaking, these problems stem from several reasons: (1), the Regional Commission of General Election (KPUD) did not dare to take clear and firm decisions to administer the election; (2) the lack of institutional infrastructure for some remote areas; (3) the crude conflict of interests, not only between competing parties, but also between election commissioners and political groupings of society; and, (4)

the lack of public trust over the Indonesian court system as the final and arbitrary institution to solve election conflicts, as indicated in the case of Depok City elections.

The political participation of women in Pilkada remains very poor. With the exception of the female regent of Banyuwangi, Ratna Ani Lestari, who won popular vote despite her political machine is a coalition of minor parties without parliament seats, the level of playing fields between female and male candidates are still in favor of the latter. There are no indications of real support from the government or political parties for future empowerment, but several NGOs and the Female Parliamentarian Caucus have been engaged in advocacy process to amend the set of political laws — Elections Law, Political Parties Law, etc.

The road for Pilkada is still long. But the seeds for further electoral reform must be planted early. First, instead of being lumped together with Regional Authority Law No. 32/2004, a separate Elections Law must be established. This Elections Law must regulate of the whole elections process (Legislative and Executive, as well national and regional) as a totality so that there will be harmony between different levels of electoral processes. Second, Pilkada must be treated in the same way as the Legislative Elections and Presidential Elections. The role of

the administrator of Pilkada should be on the hand of a professional and independent Electoral Commission (*Komisi Pemilihan Umum/KPU*) at the national level.

PEACE IN ACEH, AT LAST?

Having gone through a number of talks, finally the Indonesian Government and the Free Aceh Movement (*Gerakan Aceh Merdeka* or GAM) signed a peace agreement to end the prolonged conflict that has taken away at least 9,000 lives since 1976. But the difficulties of ending that conflict must not be underestimated considering the prevalent fear and distrust. Among the most urgent tasks are:

- Seeking appropriate channels for the widest possible dissemination of information with regard to the agreement between the government of Indonesian and GAM representatives, with explanations on how it differs from the failed 2002 agreement;
- Coordinating different agencies working on amnesty, disarmament, reintegration, monitoring and funding;
- Ensuring that government's promises of land, jobs, or social security to various groups are surely maintained; and
- Protecting vulnerable groups, including those who report violations of the agreement.

The mood of the government, many of the Acehese elite, and the diplomatic community is rather upbeat. In Aceh, it is more restrained, as though to avoid disappointment as experienced before after having invested too much hope over previous failed agreement. Acehese had greeted the December 2002 Cessation of Hostilities Agreement (CoHA) with euphoria, only to see it collapse rapidly five months later, leading to the callous imposition of a state of emergency.

The political context, however, is exceptionally different this time. Both sides appear genuine in their commitment to make the agreement work. President Susilo Bambang Yudhoyono and Vice President Yusuf Kalla in particular have also been deeply involved. At the same time, GAM has been seriously weakened by military offensives conducted under the state of emergency, beginning in May 2003. The presence of an exit strategy appears to be more appealing after combat fatigue and decimation of GAM middle rank leaders.

Additionally, the December 2004 tsunami brought Aceh into an international spotlight and made it politically conducive for a settlement. The presence of major donors and global sympathy have ensured new development process through reconstruction and opened ways of linking the reconstruction efforts with peace process.

However, there have been very limited supplies of information, communication, and planning of the post-MoU peace process that may hamper attempts to secure detailed arrangements of, for example, amnesty as well as political participation. The core concerns in Jakarta circle around the possible concessions that stimulate greater supports for separatist tendencies in other part of the country.

The provisions in the Memorandum of Understanding (MoU) are broad and include significant concessions from both sides (See Appendix 1). GAM has dropped its demand for independence and has agreed to disarm by the end of the year. The Indonesian government has promised an amnesty for all GAM combatants and political prisoners, funds and farmland for their rehabilitation, the withdrawal of all non-local military and police forces from the province, and, most critically, the establishment of local political parties. The MoU also stipulates that national and international media will be allowed "full access" to the province to ensure transparency.

In terms of autonomy, the government's concessions in the MoU are more substantial than before. Aceh will be allowed its own flag, crest, and hymn. A new law on governing the province will be promulgated by the end of March next year, which will devolve new powers to the province. Al-

though Jakarta will still control policies related to foreign affairs, defense, and most monetary, and fiscal sectors, Aceh administration will be able to raise taxes for the province's internal needs, set its own interest rates, and run its own campaigns to attract foreign investment and tourism. Most importantly, Aceh will be allowed to keep 70% of the revenue from the exploitation of its natural resources (currently it can keep only 55% of revenues from oil and 40% from gas). Regional elections in Aceh have been postponed from October 2005 until April 2006.

The issue of political representation for GAM once it gives up its armed struggle is one matter of grave concerns. The group has insisted it be allowed to campaign for Acehnese rights in the national legislature, but Indonesian law requires that all political parties be based in Jakarta and have representation in at least half of the country's provinces. (This measure is intended precisely to prevent separatist movements from coalescing around provincial parties in regions such as Aceh and Papua.) The government has been persistently unwilling to make changes to accommodate such demand.

The MoU has yet surmounted these difficulties, considering that there are still a number of tricky details yet to be decided. The document allows for the establishment of Aceh-based political parties within a year, but it sti-

pulates that these parties must "meet national criteria". It also says the government will "create ... the political and legal conditions" for the establishment of these parties in consultation with parliament. On the other hand, the parliament has not exactly been cooperative.

Although support for the president, Susilo Bambang Yudhoyono, will rise following the conclusion of the peace deal, central political parties such as Indonesian Democratic Party-Struggle (PDI-P) are opposed to the establishment of local parties. Nationalist sentiment in general is pretty strong in many parts of Indonesia, which makes it difficult to gather support for this particular matter. Additionally, if President Yudhoyono is perceived as having yielded too much to GAM, he could lose as much support as the peace deal has gained for him.

Another concern of the ultra nationalist groups is the presence of an independent Aceh Monitoring Mission (AMM) in Aceh to ensure both sides keep to the terms of the MoU. The involvement of foreign monitors bears the risks of inflaming nationalist sentiment amongst politicians and members of the TNI. Criticisms from the parliament that the MoU delegates too much power to the AMM have already alerted the President. AMM is headed by a Dutch conflict expert, Pieter Feith, and consists of 250 dele-

gates from the EU and ASEAN. Yet, the independence and proper mandate of the AMM are crucial aspects of the peace deal by GAM, because the AMM could help to prevent possibility of abuses against the peace process.

PROBLEMS IN PAPUA

The initiative taken by the Papua Indigenous Council (*Dewan Adat Papua/DAP*) to return the special autonomy status of Papua to the central government is indicative of the limits of tolerance that Papuans are willing to share over the unresolved complexities in Papua. Unless the government come up with immediate and clear policies for Papua, domestic and international ramifications will bring about greater complexities than those of Aceh. Worst case scenario is that Papua may present another case of East Timor.

The prolonged problems of Papua stem from the government's ambiguity towards the comprehensive implementation of Papua's special autonomy program and the status of the new Province of Irian Jaya Barat (Irian Jaya). What offended the Papuans most is the lack of seriousness from the government's part to support the establishment of the Papuan People's Assembly (*Majelis Rakyat Papua/MRP*). It has been seven months after the government enforced the Govern-

ment Regulation (PP) No. 54/2004 on the Establishment of MRP. Yet, there are no clear signs of real and concrete support and facilitation to accelerate the establishment of MRP. This is due to the strong suspicions within central government that the establishment of MRP would be used as a stepping stone for the independence of Papua.

Papuans also question the motives behind the government's political support for the continuation of the Irian Jaya province. The disappointment was pushed further when the schedule for direct regional elections of the province was settled by the Minister of Domestic Affairs. This is contradictory to the earlier negotiation between the government and the Papuan, which concluded that the Irian Jaya province would be put under a status-quo condition until the establishment of MRP as the province had lost its constitutional base Law No. 45/1999 in accordance to the ruling made by the Constitutional Court (*Mahkamah Konstitusi/MK*). On the other side, the government is also under political pressures from the prominent political figures and existing bureaucracies in Irian Jaya province, who believe that the government has treated them unfairly.

The Papuans obviously have no intention whatsoever to separate from the Unitary State of the Republic of Indonesia (NKRI). But the government ambiguous and tardy responses have

been stimulating greater complications. Making things worse is the news regarding two members of the US Senates who called for a resolution that question the legitimacy of Indonesian sovereignty to Papua. National elements responded harshly to that. The US government later confirmed its support for NKRI.

President Yudhoyono stated in his speech before the plenary session of the Regional Representatives' Council (DPD) that the next task of the government after resolving the Aceh problem would be resolving comprehensively the problem of Papua. This task would be based on the principles already stipulated in the Law No. 21/2001 on Special Autonomy of Papua. But, what are really needed are concrete and gradual steps to ensure comprehensive solutions of Papua problems. Without them, the commitment and credibility of the government will be challenged greatly.

DEFECTIVE PARLIAMENT

It has been almost a year since the Parliament (*Dewan Perwakilan Rakyat*/DPR) was elected in the 2004 general elections. Yet, the Parliament has only passed two (2) laws, one on the state budget and one on industrial relations, which is way off the earlier target of endorsing 55 bills. There are still over 250 bills for the overall term of 2005-2009.

This is a clear signal that the Parliament continues to disappoint the people they represent, despite the initial brouhaha of having younger and better educated members. It would hard to expect the Parliament to contribute significantly to the improvement of Indonesia's democracy in general and the country's economic recovery in particular given its ineffectiveness.

One of the main reasons behind such disappointing performance is that legislators continue to focus on the interests of their respective oligarchic political parties rather than of the people. They are also distracted from their work in the Parliament because they moonlighted. The House's code of conduct prohibits House members from moonlighting. However, according to a recent survey, a majority of legislators remains active in work outside the legislature.

The Parliament has established terrible reputation in dispute settlement and another embarrassing drama occurred after the recently proposed raise for legislators' salaries amid current economic difficulties. More than 70% of the current 550 legislators are new, and almost 50% of them are between the ages of 25 and 49. 49% of the legislators are university graduates and 33% have masters and doctorate degrees. However, such infusion of fresh blood was not sufficient to prop up the performance of the legislative body or to reduce its badly tarnished image.

Another classic reason why members of the House find it difficult to deliver changes is because of the entrenched system, backed up by law, which force them to be fully devoted to the interests of their parties or risk being recalled. For this reason, a call for a special session of the People's Consultative Assembly is necessary to review the 1945 Constitution to change the situation.

POWERLESS REGIONAL COUNCIL

The Regional Representatives Council (*Dewan Perwakilan Daerah*/DPD) has long been known to have very weak mandate and have been underestimated much by the Parliament. A blatant display of how powerless DPD occurred when the Parliament flatly rejected DPD's request to sit together with the Parliament to hear President Susilo Bambang Yudhoyono's 16 August 2005 state of the nation address. Later, DPD held its own plenary meeting on 23 August 2005, which President Yudhoyono, apparently in a consolatory gesture, also attended.

For many people, the meeting on 23 August was regarded as pointless because there was no clear agenda or direction of the DPD being presented in the meeting. The DPD is required by the Constitution to assemble in a meeting at least once a year. How-

ever, the plenary meeting appears to serve no other purpose than to fulfill functional obligation without much substance delivered.

So far, nothing has been heard about DPD's plans for next year, let alone the next five years. At the same time, pressing problems related to regional issues are on the rise. There is also a big question mark in terms how DPD, as a regional representative element in the government, will act on issues related to the troubled regions, such as Aceh and Papua. Another most recent urgent matter to be addressed is the uneven distribution of wealth that resulted from the increasing revenue of rich regions due to soaring oil prices.

DPD began on a high note. When the third amendment was made to the 1945 Constitution, the bicameral political system was adopted through the introduction of the DPD in addition to the DPR. It was imagined at that time that a system would be introduced similar to the United States, where people are represented by the House of Representatives and the Senate.

In 2004, DPD members were elected. Unlike Parliament members, DPD members are directly elected, and many of them are not affiliated with any political party. So, in theory, DPD members are closer to being the actual representatives of the people than Parliament members.

However, in its development, Indonesia's bicameral system is far from perfect and that the DPD members are in truth toothless. Unlike the Senate in the United States, the DPD has no legislative power. Its only "powers" are, together with the

Parliament, deliberating bills, addressing regional issues, and providing recommendations to the Parliament on bills on state budgets, taxes, education and religion. Other than that, the DPD has no voice.

APPENDIX 1: KEY PASSAGES FROM ACEH PEACE AGREEMENT

Following are key verbatim passages from a seven-page Memorandum of Understanding (MoU) between the Indonesian government and the rebel Free Aceh Movement (GAM), signed on Monday, 15 August 2005, in Helsinki, which is to bring peace to the region after three decades of fighting.

"The Government of Indonesia (GoI) and the Free Aceh Movement (GAM) confirm their commitment to a peaceful, comprehensive and sustainable solution to the conflict in Aceh with dignity for all.

GOVERNING OF ACEH

A new Law on the Governing of Aceh will be promulgated and will enter into force as soon as possible and not later than 31 March 2006.

Aceh will exercise authority within all sectors of public affairs, which will be administered in conjunction with its civil and judicial administration, except in the fields of foreign affairs, external defense, national security, monetary and fiscal matters, justice and freedom of religion, the policies of which belong to the Government of the Republic of Indonesia in conformity with the Constitution.

Aceh has the right to use regional symbols including a flag, a crest and a hymn.

POLITICAL PARTICIPATION

Not later than one year from the signing of this MoU, GoI agrees to and will facilitate the establishment of Aceh-based political parties that meet national criteria. Understanding the aspirations of Acehnese people for local political parties, GoI will create, within one year or at the latest 18 months from the signing of this MoU, the political and legal conditions for the establishment of local political parties in Aceh in consultation with Parliament. The timely implementation of this MoU will contribute positively to this end.

Upon the signature of this MoU, the people of Aceh will have the right to nominate candidates for the positions of all elected officials to contest the elections in Aceh in April 2006 and thereafter.

ECONOMY

Aceh has the right to raise funds with external loans. Aceh has the right to set interest rates beyond that set by the Central Bank of the Republic of Indonesia.

Aceh is entitled to retain seventy (70) per cent of the revenues from all current and future hydrocarbon deposits and other natural resources in the territory of Aceh as well as in the territorial sea surrounding Aceh.

RULE OF LAW

An independent and impartial court system, including a court of appeals, will be established for Aceh within the judicial system of the Republic of Indonesia.

The appointment of the Chief of the organic police forces and the prosecutors shall be approved by the head of the Aceh administration. The recruitment and training of organic police forces and prosecutors will take place in consultation with and with the consent of the head of the Aceh administration in compliance with the applicable national standards.

HUMAN RIGHTS

A Human Rights Court will be established for Aceh.

A Commission for Truth and Reconciliation will be established for Aceh by the Indonesian Commission of Truth and Reconciliation with the task of formulating and determining reconciliation measures.

AMNESTY AND REINTEGRATION INTO SOCIETY

GoI will, in accordance with constitutional procedures, grant amnesty to all persons who have participated in GAM activities as soon as possible and not later than within 15 days of the signature of this MoU.

Political prisoners and detainees held due to the conflict will be released unconditionally as soon as possible and not later than within 15 days of the signature of this MoU.

As citizens of the Republic of Indonesia, all persons having been granted amnesty or released from prison or detention will have all political, economic and social rights as well as the right to participate freely in the political process both in Aceh and on the national level.

GoI and the authorities of Aceh will take measures to assist persons who have participated in GAM activities to facilitate their reintegration into the civil society. These measures include economic facilitation to former combatants, pardoned political prisoners and affected civilians. A Reintegration Fund under the administration of the authorities of Aceh will be established.

SECURITY ARRANGEMENTS

GAM undertakes the decommissioning of all arms, ammunition and explosives held by the participants in GAM activities with the assistance of the Aceh Monitoring Mission (AMM). GAM commits to hand over 840 arms.

The relocation of non-organic military and non-organic police forces will begin on 15 September 2005 and will be executed in four stages in parallel with the GAM decommissioning immediately after each stage has been verified by the AMM, and concluded by 31 December 2005.

ESTABLISHMENT OF THE ACEH MONITORING MISSION

An Aceh Monitoring Mission (AMM) will be established by the European Union and ASEAN contributing countries with the mandate to monitor the implement-

ation of the commitments taken by the parties in this Memorandum of Understanding.

Monitors will have unrestricted freedom of movement in Aceh. Only those tasks which are within the provisions of the MoU will be accepted by the AMM. Parties do not have a veto over the actions or control of the AMM operations.

DISPUTE SETTLEMENT

As a rule, eventual disputes concerning the implementation of this MoU will be resolved by the Head of Monitoring Mission, in dialogue with the parties, with all parties providing required information immediately. The Head of Monitoring Mission will make a ruling which will be binding on the parties.

- If the Head of Monitoring-Mission concludes that a dispute cannot be resolved by the means described above, the dispute will be discussed together by the Head of Monitoring Mission with the senior representative of each party. Following this, the Head of Monitoring Mission will make a ruling which will be binding on the parties."

APPENDIX 2: LIST OF ELECTED REGIONAL HEADS IN JUNE 2005 LOCAL ELECTIONS

GOVERNOR

No.	Province	Elected Head	Popular Vote (%)	Political Party
1.	Sulawesi Utara	Sinyo Harry Sarundajang - Freddy Harry Sualang	447.581 (38.9)	PDIP
2.	Kalimantan Tengah	Agustinus Teras Narang - Achmad Diran	347.540 (43.94)	PDIP
3.	Jambi	Zulkifli Nurdin - Antony Zeidra Abidin	961.080 (79.56)	PAN, Golkar, PKS, PBB
4.	Sumatra Barat	Gamawan Fauzi, SH MM - Prof. Dr. H. Marlis Rahman, M.Sc	699.671 (42.87)	PDIP, PBB
5.	Kepulauan Riau	Ismeth - Sani	174.437	P. Golkar

REGENT/MAYOR

SUMATERA

No.	Regency/ City	Elected Head	Political Party	Popular Vote (%)
1.	Kab. Solok Selatan	Syafrizal J - Nurfirmansyah		8.683 (45)
2.	Kota Solok	Syamsu-Rahim - Irzal Ilyah H.		38.365 (37.94)
3.	Kab. Dharmasraya	Adi Gunawan - Widiyanto		24.157 (22.6)
4.	Kab. 50 Kota	Drs. H. Amri Darwis SA - Ir Irfendi Arbi MP	PBB, PKS, PNI Marhaenisme	44.584 (30.44)
5.	Kab. Lampung Timur	H. Satono - Noverisman Subing		31.863 (39)

6.	Kab. Mandailing Natal	Amru Daulay - Hasim Nasution	Golkar, PDIP, PAN	48.614 (42.54)
7.	Kab. Ogan Hilir	Marwadi - Iskandar		70.255 (41.55)
8.	Kab. Padang Pariaman	H. Muslim Kasim - Ali Mukhni		60.146 (41.77)
9.	Kab. Solok	Gusmal - Desra Ediwan		50.263 (36.18)
10.	Kab. Lampung Selatan	H. Zulkifli Anwar - Wendy Melfa SH MH		6.278 (36)
11.	Kota Metro	H. Lukman Halim - Djohan	PAN, PPP, PPD, PBB	25.925 (38.25)
12.	Kab. Toba Samosir	Monang - Mindi		24.492 (47.23)
13.	Kota Medan	Abdilah - Ramli		445.139 (62.31)
14.	Kab. Tapanuli Selatan	Ir. H. Ongku P. Hasibuan MM - Ir. H. Aldinz Rapolo Siregar MM		81.813 (36.09)
15.	Kab. Bengkalis (Prov. Riau)	Asral Rahman - Mukhlis		28.537 (39.59)
16.	Kab. OKU Timur	Herman Deru - Kholik		123.696 (40.62)
17.	Kab. OKU	Eddy Yusuf - Yuliu Nawawi	PAN, PKB, PD	51.904 (34.43)
18.	Kab. Way Kanan	Tamanuri - Bustami Zainuddin		
19.	Kota Bandar Lampung	Abdul Hakim - Zainal Iskandar		
20.	Kab. Samosir	Eddy Sutrisno - Kherlani Mangindar Simbolon - Obersihol Parulian Sagala	PDK, PKB	
21.	Kab. Indragiri Hulu	Raja Tamsir Rahman - Muji Thahid Thalib	PPP, PPD, PBR	
22.	Kab. Bangka Tengah	Drs. H. Abu Hanifah - Erzaldi Rosman Djohan SE MM	Golkar, PDIP PAN	31.628 (65.06)
23.	Kab. Seluma	Murman Effendi - Bustami TH		
24.	Kab. Rejang Lebong	Suherman - Iqbal Bastar		
25.	Kab. Musi Rawas	Ridwan Mukti - Ratnawati Ibnu Amin		80.045 (34.11)
26.	Kab. Sekadau	Simon Petrus - Abun Ediyanto		25.137 (28)
27.	Kab. Belitung Timur	Ir. Basuki T. Purnama MM (Hong Wan Xie) - Khaerul Efendi BSc	PPIB, PNBK	
28.	Kota Pematangsiantar	Ir. Robert Edison Siahaan - Drs. Haji Imal Raya Harahap	PPIB, PNBK	24.115 (28.18)
29.	Kab. Pesisir Selatan	Drs. H. Nasrul Abit - Drs. Syafrizal	PPIB, PNBK	72.738
30.	Kab. Sawahlunto Sijunjung	Kolonel (Purn) Darius Apan - Yuswir Arifin	Koalisi Lansek Manih (PBB, PKPI, PBR dan PBS)	72.738

JAWA

No.	Regency/City	Elected Head	Political Party	Popular Vote (%)
1.	Kota Semarang	Sukawi Sutarip - H. Muhfudz Ali		436.716 (73.91)
2.	Kab. Sukabumi	Sukmawijaya - Marwan Hamami		421.812 (42.98)
3.	Kab. Purbalingga	H. Triyono Budi Sasongko - Heru Sujatmoko		316.292 (84.68)
4.	Kab. Sukoharjo	Bambang Margono - Parjoko	PBB, PKS, PNI Marhaenisme	44.584 (30.44)
5.	Kota Surakarta	Djoko Widodo - FX Hadi Rudiayatmo	PDIP	60.278 (37)
6.	Kota Magelang	Fahriyanto - Noor Muhammad	PDIP	31.863 (39)
7.	Kab. Gunung Kidul	Suharto SH - Hj. Badingah SSos	PAN	48.614 (42.54)

8.	Kab. Rembang	Moch. Salim - Yaqup Cholil Qoumas	PAN, Ga. Papol	
9.	Kota Surabaya	Bambang Dwi Hartono - Arief Affandi	PDIP	70.255 (41.55)
10.	Kab. Gresik	Robbach Ma'sum - Sastro Suwito	PKB	60.146 (41.77)
11.	Kab. Blora	Ir. H. Basuki Widodo - Drs. RM. Yudhi Sancoyo MM		50.263 (36.18)
12.	Kota Cilegon	Aat Syafaat - Rusli Ridwan	Golkar	
13.	Kab. Pekalongan	Ahad Basyir - Abu Almafakir	Golkar	
14.	Kab. Kebumen	Rustriningsih - KH. Nasirudin	PDIP	
15.	Kab. Bantul	Drs. HM Idham Samawi - Drs. H. Sumarno PRS	PDIP, PKB, Golkar, PNIN, PDS	24.492 (47.23)
16.	Kota Blitar	Djarot Saiful Hidayat - Endro Hermano	PDIP, PAN, PBB, PDS, PDK, PSI, PIB, PNI Marhaenisme	445.159 (62.31)
17.	Kab. Ponorogo	H. Muhadi Suyono - Amin	PKB	81.813 (36.09)
18.	Kab. Sukabumi	Sukma Wijaya - Marwan Hamami	PAN, PKB, PD	28.537 (39.59)
19.	Kab. Purbalingga	Triono Budi R - Heru Sudjatmiko	PDIP, PKB, PAN, PPP, PD, PKS	123.696 (40.62)
20.	Kab. Kendal	Hendy Boedoro - Siti Nur Markesi	PAN, PKB, PD	51.904 (34.43)
21.	Kab. Jember	MZA Djalal - Kusen Andalas	PKB, PDIP	609.934 (56.91)
22.	Kab. Banyuwangi	Ratna Ani Lestari - Yusuf Nuris	PAN, PBR, PNBK, Gab. 15 Papol	311.653 (39.33)
23.	Kab. Serang	Taufik Nuriman - Andi Sujadi	PKS, PD	
24.	Kota Depok	Badrul Kamal - Syihabuddin Ahmad	Golkar dan PKB	
25.	Kab. Kediri	Sutrisno - Sulaiman Lubis		
26.	Kab. Sleman	Drs. H. Ibnu Subiyanto Akt - Drs. H. Sri Purnomo	PDIP	204.473 (40.05)
27.	Kab. Ngawi	Ir. H. Harsono - Ir. Budiono Sulistyono		243.225 (56.69)
28.	Kab. Situbondo	dr. Ismunarso - Suroso	Golkar, PDIP, PAN	31.628 (65.06)
29.	Kab. Sumenep	KH. Ramdan Siradz - Muhammad Dahlan	PPP-PPNUI	247.789 (22.39)
30.	Kab. Semarang	Bambang Guritno - Siti Ambar Fathonah		

KALIMANTAN

NO.	Regency/ City	Elected Head	Political Party	Popular Vote (%)
1.	Kota Bulungan	H. Budiman Arifi - Liet Inggai	PKB	6.913 (35.50)
2.	Kab. Kotawaringin Timur	Wahyudi - Amrulah Hadi	PPP, PKB, PAN	40.523 (32.22)
3.	Kab. Kotawaringin Barat	Ujang Iskandar - Sukirman	PD, PKB, PPD	36.211 (38.97)
4.	Kab. Kutai Kertanegara	H. Syaukani HR - Syamsuri Aspar	Golkar	
5.	Kab. Pangkep	Syahrudin - Kemal B		80.814 (53.83)
6.	Kab. Kapuas Hulu	Tambul Husin - Yosep Alexander		58.768 (50.76)
7.	Kab. Sintang	Milton Crosby - Jarot Winarno		42.323 (25.08)
8.	Kab. Pasir	Ridwan Suwidi - Hatta Garit		34.300 (65)

BALI

No.	Regency/ City	Elected Head	Political Party	Popular Vote (%)
1.	Kota Denpasar	AA Gede Ngurah Puspayoga - Ida Bagus Rai Dharmawijaya Mantra	PDIP	140.554 (69.31)
2.	Kab. Tabanan	I Nyoman Adi Wiryatana - Putra Wirasana	PDIP	183.272 (66.20)
3.	Kab. Bangli	I Wayan Gunawan - I Wayan Wirata	Golkar, PD, PPP, dan Gab. 6 Parpol	
4.	Kab. Badung	AA Gede Agung - I Ketut Sudikerta	Golkar	
5.	Kab. Karang- asem	I Wayan Geredeg - IG Lanang Rai	Golkar	82.267 (36.9)

SULAWESI

No.	Regency/ City	Elected Head	Political Party	Popular Vote (%)
1.	Kab. Minahasa Utara	Vonnie A. Penambunan - Sompie SF Singal	PD, PKPI, PPD	39.457 (41.44)
2.	Kab. Minahasa Selatan	RM Luntungan - Vintje Tuela		98.409 (57.78)
3.	Kota Tomohon	Jefferson Rumajar - Lineke S. Watoelangkow		15.473 (28.92)
4.	Kab. Gowa	Ihsan Y. Limpo - Abdul Rajak Badjidu	Golkar, PDK, PD, PKDI, P. Pancasila, PIB	98.336 (32.20)
5.	Kab. Luwu Utara	Lutfi A. Mukti - Arifin Junaedi	PKS, PDIP, PDK	
6.	Kab. Luwu Timur	Hatta Marakama - Saidy Mansyur	Golkar, PAN	
7.	Kab. Gorontalo	David Akib Bobihoe - Sopyian Puihi	Gab. PPP, PAN, PDIP, PBB, PBR	
8.	Kab. Poso (Sulteng)	Piet Inkiriwang - A. Muthalib Rimi	PDS	
9.	Kab. Maros	Nadjamuddin - A. Paharuddin		64.479 (44.39)
10.	Kab. Pangkajene Kepulauan	Syafruddin Nur - HA Kemal Burhanuddin		86.481 (57.06)
11.	Kab. Barru	AM Rum - Kamrir Mallongi		46.095 (52)
12.	Kab. Soppeng	Andi Soetomo - Sarimin Saransi		52.883 (40.44)
13.	Kab. Bulukumba	A. Syukri - Padas		56.135 (27.92)
14.	Kab. Toli-Toli	Ma'ruf Bantilan - Abd Rahman	PP-Pancasila, PKPI	43.579 (45.09)

MALUKU AND MALUKU UTARA

No.	Regency/ City	Elected Head	Political Party	Popular Vote (%)
1.	Kep. Aru	Alwen Roy Patysina - Malewa Patti Kaloba	PBB, P. Pancasila, PPDI, PKB	
2.	Kab. Seram Bagian Timur	Abdullah Canfath - Siti Maria Surwaki	PKS, PKPB, PKPI	
3.	Kab. Halmahera	Iskandar M. Djay - Alpinus K. Pay	PD, PKS	
4.	Kota Ternate	Syamsir - Andili - Amas	Golkar, PD, PBR	

NTT AND NTB

No.	Regency/ City	Elected Head	Political Party	Popular Vote (%)
1.	Kab. Ngada (NTT)	Piet Nuwa Wea - Nikolaus Dopo (S)	10 Partai antara lain: PAN, P. Merdeka, PKPI	
2.	Kab. Manggarai (NTT)	Christ Rotok - Kamilus Deno (S)	PPDI, PD, PKB, PAN	
3.	Kab. Manggarai Barat (NTT)	Fidelis Prada - Agustinur Ch. Dulla (S)	8 Parpol	

APPENDIX 3: MUI'S FATWA

1. MUI condemns violation of intellectual property right, including the copy right;
2. MUI condemns shamanism and fortune-telling, including their publication in mass-media;
3. MUI forbids praying together with people with other religion, except praying together in accordance to each faith and concurring only to a praying leader who is Moslem;
4. MUI prohibits inter religious marriage, except there is no longer Moslem to be married;
5. MUI inhibits heritage from different religious, except it is delivered by legacy and bequest;
6. MUI introduces criteria for public goods;
7. MUI condemns pluralism, secularism and liberalism;
8. MUI rules that individual property right is to be protected by the state, and there is no right of the state to take over or even to reduce it; but if there is a conflict with public interest, the public interest is to be prioritized;
9. MUI prohibits woman to become praying leader (imam shalat) as long as there is man who is already mature;
10. MUI condemns Achmadiyah as a deviate sect of Islam;
11. MUI allows death penalty for heavy crime (criminal).

REVIEW OF ECONOMIC DEVELOPMENT

Indonesia's Current Economic Performance: Signs of Slowing Down

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INTRODUCTION

THERE are some signs that Indonesia's economic performance is faltering. First, following a relatively strong economic growth during the previous two quarters, the year-on-year economic growth declined slightly from 6.2% in the first quarter to 5.5% in the second quarter 2005. Second, both investment and exports, two of the main sources of strong growth, also weakened. Third, while private consumption, especially non-food, increased slightly, nevertheless government spending remained stagnant. Moreover, the pattern of growth in the production side did not change significantly relative to the previous quarter, i.e., weak agriculture- and mining- sector output growths, a

moderate manufacturing sector growth, and a strong services sector growth.

Inflation went up to 8.33%, hence above the revised-budget's inflation target of 7.5%. Initially, the monetary authority was not willing to aggressively tighten the monetary policy and increase the interest rates. As a result the Rupiah was weakening against the US\$. By the end of August, the currency crossed the Rp.10,000/US\$ mark, reaching a 41-month record low. Following the event, finally the monetary authority made its move to aggressively tighten the monetary policy to keep up with the US real interest rates. On August 30th, after the Rupiah depreciated from Rp 10,350 to Rp12,000 per US\$, BI finally raised interest rates aggressively: The 1-month SBI-rate went up by 75 basis-points to 9.5%.

On the trade sector, the second quarter of 2005 signaled a worrying trade balance as imports surged due to the sharp increase in oil prices. We expected a decline in the current account surplus. Private capital account was in a deficit of US\$0.1bn due to low direct investment inflows, portfolio investment inflows and loans disbursements compared to the amount of debt repayments due.

Regarding current macroeconomics and fiscal situation, there are at least two major issues in the revised

budget: its basic assumptions and its actual disbursements in the first semester. With regard to the first issue, some of the basic assumptions of the revised 2005 budget were no longer valid. On the second issues of low budget disbursement rate, the concerns are its impact on this year inflation rate and the effectiveness of its implementation. In the first six months of 2005, the budget was disbursed all too slowly to stimulate growth. The budget realization in the first semester of 2005 was as

Table 1

COMPONENTS OF GDP GROWTH BY EXPENDITURE AND SECTOR
(2000 Prices; % p.a. year-on-year)

	2004				2005	
	Q1	Q2	Q3	Q4	Q1	Q2
GDP Growth by Expenditure						
Private Consumption Expenditures	5.7	5.3	5.0	3.8	3.2	3.5
of which food	1.7	1.5	1.6	1.8	2.0	2.1
of which non-food	9.8	9.1	8.5	5.7	4.4	4.7
Government Consumption	10.1	4.7	-3.8	-1.3	-8.5	-5.6
Investment	11.5	13.1	19.7	18.3	14.1	13.2
Exports	1.2	2.0	17.1	13.7	13.3	7.3
Imports	15.3	25.2	32.0	27.1	15.6	10.1
GDP Growth by Sector						
Agriculture	4.9	3.8	5.3	1.9	1.6	-1.0
Mining	-7.0	-9.1	-5.0	3.3	1.0	-2.9
Manufacturing	6.0	6.9	4.8	7.2	7.1	6.7
of which non-oil and gas manufacturing	7.2	8.5	6.2	8.7	8.0	8.0
Electricity, Gas & Water	6.1	6.8	3.1	7.9	7.8	7.6
Construction	8.4	7.8	8.2	8.3	7.3	7.4
Trade, Hotel & Restaurant	2.7	4.1	6.9	9.4	10.0	9.5
Transport & Communication	12.6	13.3	13.5	11.5	13.1	13.9
Business Services	7.5	6.7	8.3	8.4	6.5	10.0
Services	4.7	5.1	4.7	5.0	4.9	4.4
GDP	4.4	4.4	5.1	6.7	6.2	5.5

Source: CEIC Asia Database

low as 28%. What remains to be disbursed from the budget will create inflationary pressure in the coming months. The time-constraint would also jeopardize the effectiveness of program implementations. Another is the exchange-rate risk due to the huge amount of foreign debt repayments and interest payments that had not been channeled nine months into 2005.

Given the recent events, i.e., the slower economic growth and unfavorable recent economic situations, turmoil in the currency and government bond and stock market a concern has been raised about the stability of the economy. The real sector also worries about the cost-consequence of the depreciation of the Rupiah, rising fuel prices, and the upward adjustment of the interest rates. However, there are no imminent signs that the economy is

moving towards another crisis. This, of course, will depend on the willingness of the government to cut fuel subsidies in the near future.

ECONOMIC GROWTH

After a relatively strong growth in the past two quarters, economic growth in the second quarter declined slightly from 6.2% in Q1-2005 to 5.5% in Q2-2005. Both investment and exports, the main sources of strong growth, weakened. Private consumption, especially non-food, slightly increased, while government spending remained stagnant.

Expenditure Account and Production Account

On expenditure account, household consumption growth increased slightly from 3.2% in Q1-2005 to 3.5% in Q2-2005. Meanwhile investment and

Table 2

NON OIL AND GAS MANUFACTURING GROWTH (%)

	2004				2005	
Food, Beverage and Tobacco	4.3	1.8	-1.4	2.2	4.7	5.3
Textile, Leather Products and Footwear	7.2	2.2	1.2	6.4	-0.8	3.1
Wood and Wood Products	-3.2	-0.2	-2.2	-2.4	0.3	-1.9
Paper and Printing	8.8	8.1	6.1	7.9	4.2	4.9
Fertilizers, Chemicals and Rubber	4.2	8.7	9.4	13.9	19.8	13.9
Cement and Non Metallic Mineral	10.6	8.7	11.0	8.1	10.1	10.8
Iron and Basic Steel	-4.4	-2.0	-2.1	-2.2	-8.0	-4.2
Transport Equipment Machinery & Apparatus	13.9	22.0	17.4	17.4	13.5	12.9
Other Manufacturing Products	14.8	13.2	15.4	16.9	5.5	4.8
Total Non Oil and Gas Manufacturing	7.2	8.5	6.2	8.7	8.0	8.0

Source: CEIC Asia Database

exports continued to become sources of growth, although both grew more slowly. Exports growth declined from 13.3% in Q1-2005 to only 7.3% in Q2-2005, lower than the overall export growth in 2004 (8.5%). The decline in export growth has been accompanied by similarly weak import growth. Investment still grows but tended to decelerate from 19.7% in Q3 2004 to 13.2 % in Q2 2004. However, the trend shows that investment growth is still the main source of economic growth.

There are no significant changes in several economic sectors: weak agriculture- and mining-sector growths, a moderate manufacturing-sector growth, and a strong services sector growth. The growth of the primary sector, especially those of the mining, quarrying, and oil-and-gas sectors lagged: after enjoying a positive growth in Q4-2004 and Q1-2005, growth of mining-and-quarrying fell back to negative growth rate in Q2 2005.

In contrast, almost all services sectors registered higher-than-average growths. The property boom led the growth of construction, hovering at around 7.5%. Trade, hotel, and restaurant accelerated from 4% in Q2-2004 to 10% in Q1-2005 and declined slightly to 9.5% in Q2-2005. Despite a recent re-regulation in airline industry and a hike in the avtur price, the growth of the sector remained strong (13.9%).

There was a sign of weak recovery in the non-oil-and-gas-manufacturing sector; the growth hovered around 8%. The traditional labor and natural-resource-intensive sectors, such as textile, wood and paper remained weak, while cement, transport equipment, paper and printing, and chemical/pharmaceuticals grew strongly.

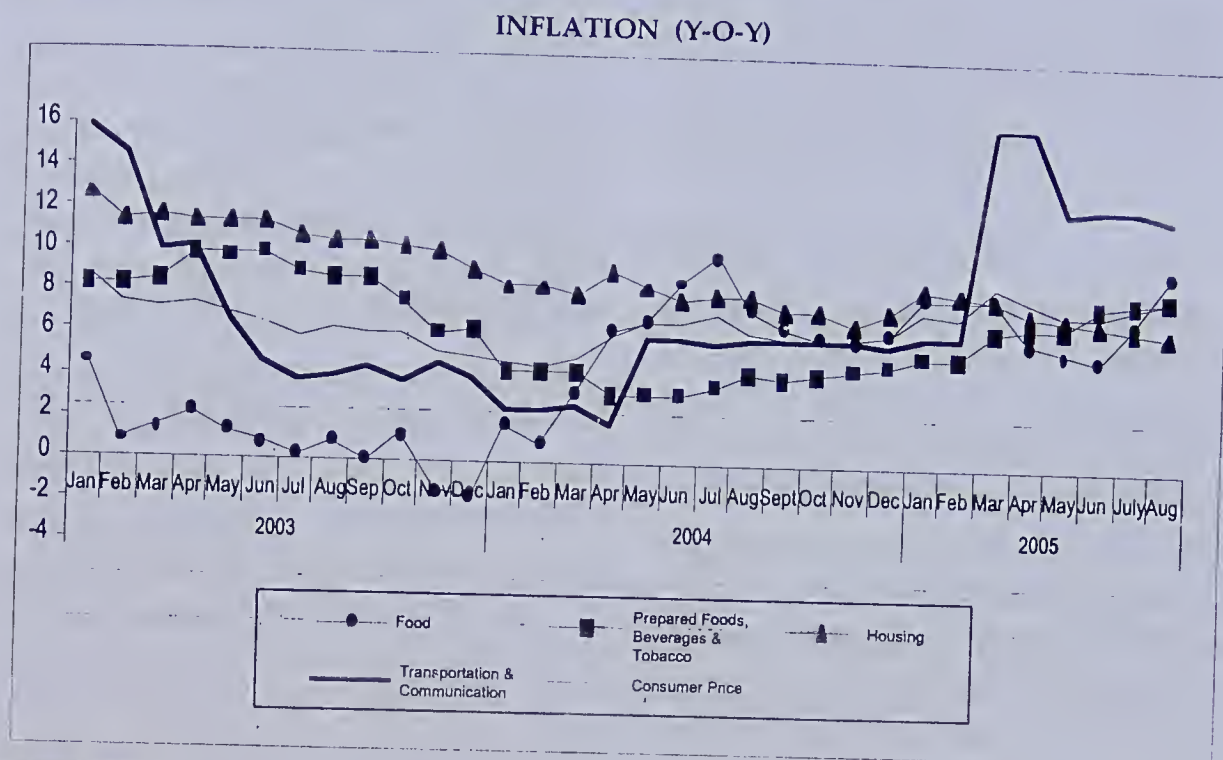
Amidst the slower economic growth and unfavorable recent economic situations, turmoil in the currency and government bond and stock market raised concern about the stability of the economy. However, we do not see convincing signs that the economy is moving towards another crisis. As discussed earlier, investment is still growing relatively strong. The impact of fuel price increases is predicted to be modest. Considering that bank's net interest margin is still relatively high, SBI's upward adjustment will not translate directly into a rapid increase in interest rates. Although, the economy is not heading toward another crisis, the revised 6% government growth target is now becoming harder to achieve in 2005. We, therefore, maintained our previous growth forecast of 5.5%.

MONETARY ISSUES

Inflation

Despite the rather loose monetary policy, inflation in most expenditure groups remained relatively mild in Q3-

Figure 1



2005. Inflation rates increased from 0.93 percentage points between the end of Q2-2005 and Q3-2005, reaching 8.33% in August. Additional to policy, bad weather also played a part in increasing inflation. In July, bad chili harvest and the rice import bans significantly increased food inflation: the monthly inflation from these two commodities alone amounted to 0.43% or more than half of the monthly inflation. The inflationary pressure created by them persisted in August.

In the months ahead, there are at least three sources of inflationary pressure until the end of the year. *First*, fuel-subsidy reductions. The gov-

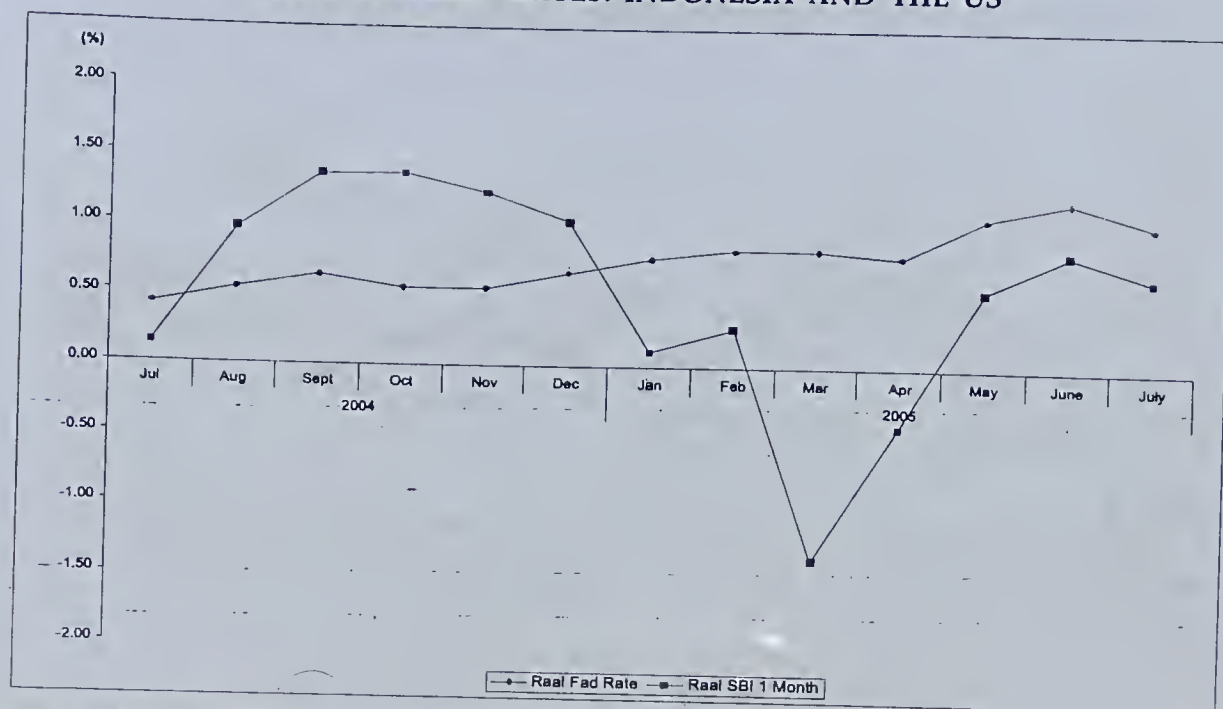
ernment suggested it would raise fuel prices even before 2006. *Second*, the upcoming festive months until the end of the year, beginning with *Ramadhan*. *Third*, the utilization of the remains of the government budget: with four months left in 2005, the government had only managed to utilize 28% of its budget. The disbursement of the rest of the budget throughout the next four months will create even higher inflationary pressure.

The Tightened Monetary-Policy To Close Real-Interest Gap

After adjusting interest rates only reluctantly, finally the monetary auth-

Figure 2

RATE INTEREST RATES: INDONESIA AND THE US



Source: CEIC Database

ority made its move to aggressively tighten the monetary policy to keep up with the US real interest rates — but only after a sudden drop of Rupiah by almost one-sixth of its value at the end-of-August. From June until the end of July, the 1-month SBI rate went up by 54 basis points (bps) from 7.95% to 8.49%, half of which compensated the Fed rate increase in July. In early August, in tandem with the Fed rate, the 1-month SBI-rate increased by another 25 bps.

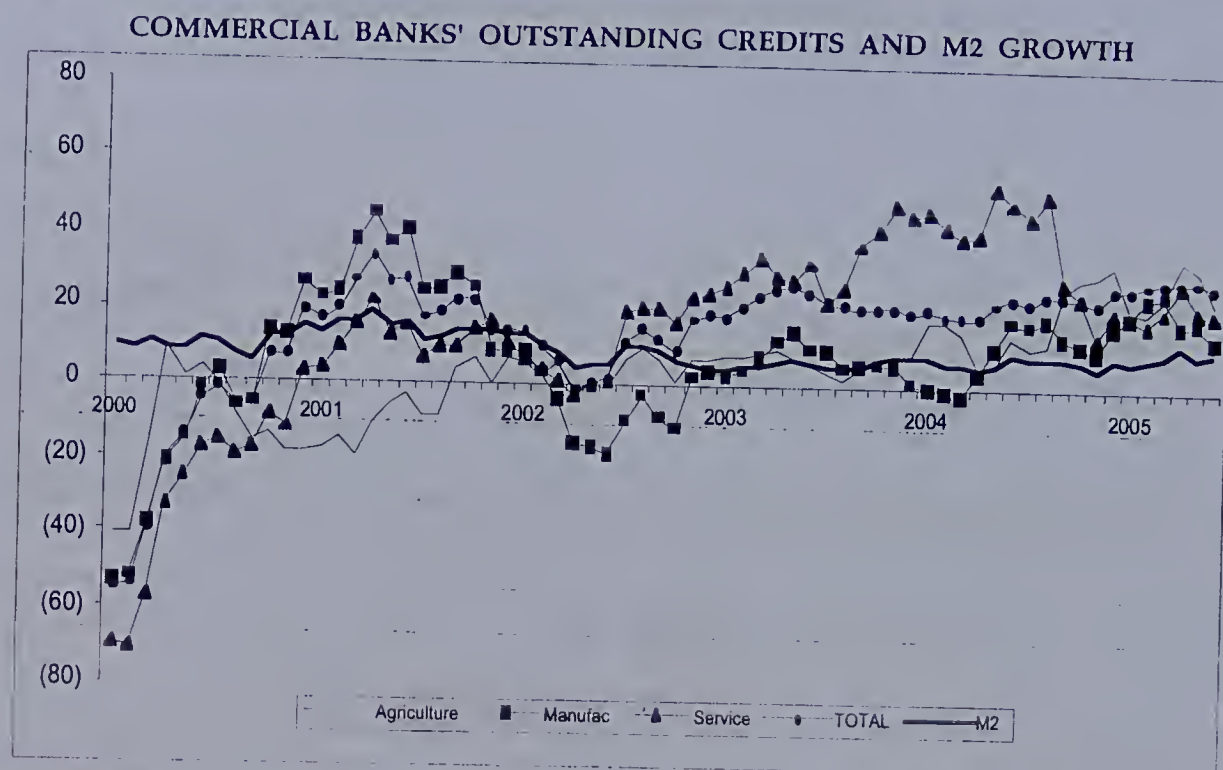
Despite efforts to keep up with increased Fed rates, SBI's real rates could not keep up with the Fed's real rates, mainly due to Indonesia's high inflation. This gap, along with the

worrisome fiscal situation, threatened macroeconomic stability. On August 30th, after the Rupiah depreciated from Rp10,350 to Rp12,000 per US\$, BI finally raised interest rates aggressively: The 1-month SBI-rate went up by 75 basis-points to 9.5%. Many analysts felt that BI waited much too long to make this move.

Credit Growths in All Sectors

The strong credit growths observed in Q1-2005 continued through the first two months of Q2-2005, but slowed down in the last month of Q2-2005. On average, outstanding commercial-bank credits grew an average of 28.9% (y-o-y), up from 28.1% in the

Figure 3



Source: BI

previous quarter. However, credit growths seemed to be slowing down: overall credit growth in June 2005 fell to 28.1%, from 29.4% in the previous month.

Like in the previous quarter, average credit growth in Q2-2005 remained strongest in the mining sector at 49.4%, followed by the unclassified (others) and trade sectors, respectively at 43.4% and 31.9%. The manufacturing sector, which took fourth place in Q1-2005, fell to the last place and its average growth declined from 23.3% in Q1-2005 to 16.32%. On the other hand, the average credit growth of the agriculture sector grew from 22.0% to 30.3% between Q1-2005 and Q2-2005.

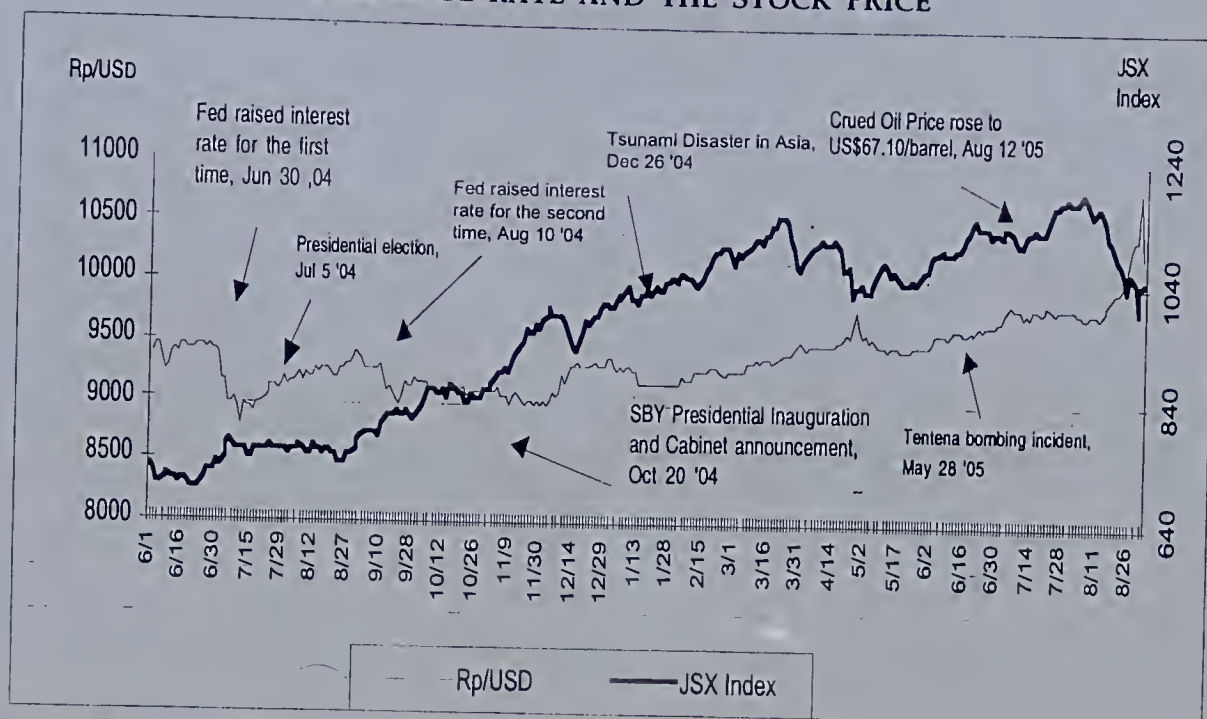
The Exchange Rate and The Stock Market

BI's reluctant tightening of the monetary policy maintained the gap between Indonesian and US real interest rates and made Indonesian financial assets less attractive than American ones. Worse still, this reluctance sent a signal that the monetary authority was unwilling to slow down growth to maintain monetary stability. As the result, both the stock market and the currency took a nosedive. The aggressive monetary tightening on August 30th managed to partially reverse the fall.

The gap in the real interest-rates, in combination with concerns over

Figure 4

EXCHANGE RATE AND THE STOCK PRICE



Source: Bank Indonesia

fiscal sustainability in the midst of ballooning fuel subsidies, created jitters in the market. The average value of Rupiah fell from Rp.9547/US\$ in Q2-2005 to Rp.9808/US\$ in Q3-2005 (up to mid-August), losing 3% of its value. Pressure from end-of-month purchases of US\$ combined with falling market confidence of the government—as the government failed to give confident answers to deal with current monetary and fiscal problems—resulted in pressure to the Rupiah. On August 30th, Rupiah fell to Rp.12,000/US\$ before BI's monetary tightening and intervention put the currency back at around Rp. 10,350/US\$.

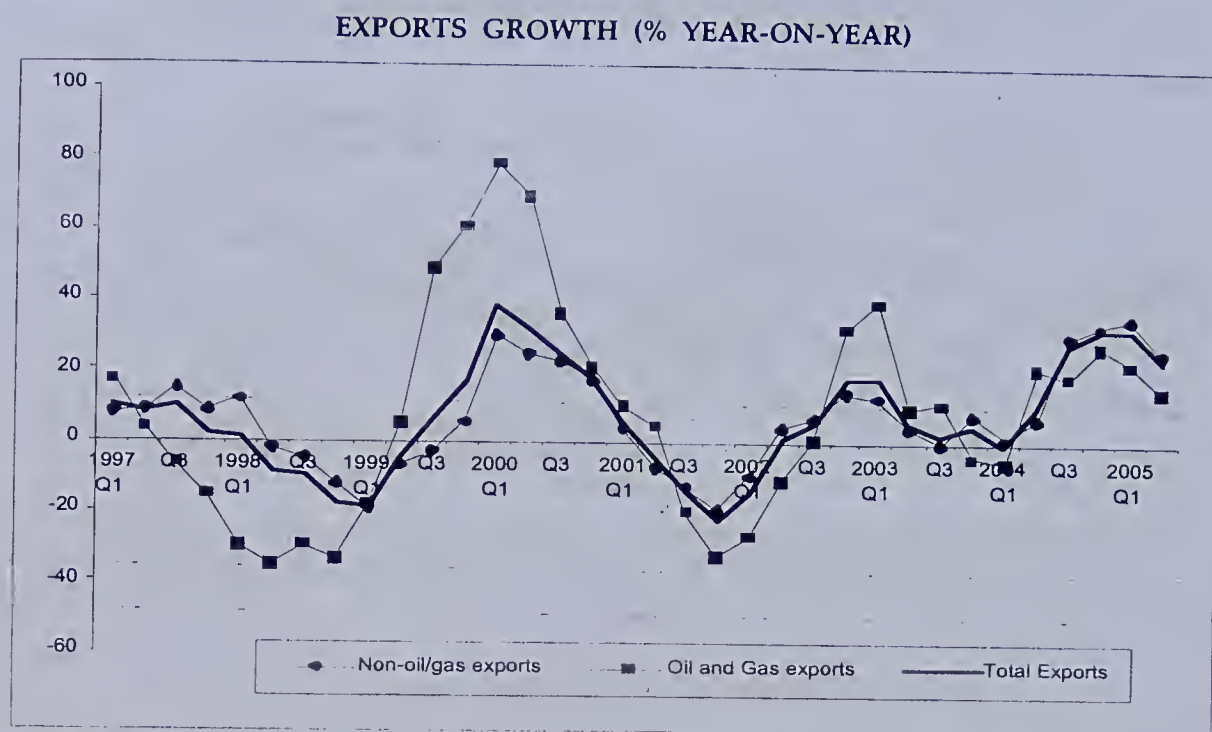
Market jitters also dragged the stock market down. Throughout June and most of August, the stock market was relatively stagnant, with the JSX index peaking at 1192.2 on early August. The sudden dip in the Rupiah on August 30th managed to scare the stock market, and the JSX index fell to below 1000 for the first time in 2005.

BALANCE OF PAYMENT

Exports and Imports

In Q3-2005, total export was about US\$20.7bn exhibiting a 23 percent annual growth. This sent a worrying signal of an export-growth

Figure 5



Source: BPS

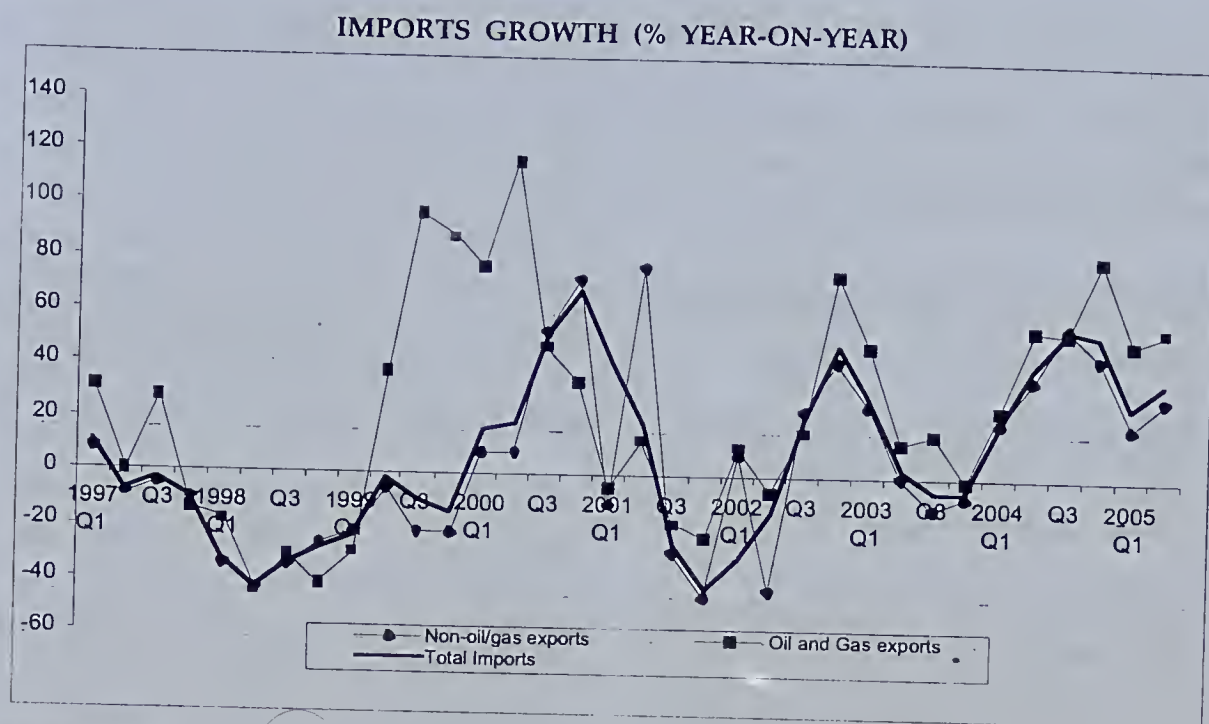
slowdown. In 2004, when export performance was impressive at about US\$69.7bn, exports continued to show increasing growth all the way until Q1-2005. However, Q2-2005 showed an end to this upward trend.

On oil-and-gas exports, despite the sharp oil-price increase since the beginning of this year, Indonesia failed to reap the gains from it due to its low level of production. Oil exports, at about US\$4.5bn, grew by 15%. This growth was weaker than that in the previous quarters. Manufacturing and agriculture exports remained strong, growing at 30% and 28% respectively. Exports of mining commodities were slightly lower than the previous quarter. While in

Q1-2005 exports of mining products experienced a high growth of 95%, this quarter, it only grew by 33%.

Currently we are facing several problems in our trade balance. The most notable one is the weakening Rupiah albeit improved trade balance compared to early 2004. As it is costly to bring in export revenue, exporters preferred to park their dollar behind the border. The weakening Rupiah will, however, improve export performance in the longer run. Second, the removal of the fuel subsidy. If the government decided to reduce to lift fuel subsidy this year, this would imply higher cost in the shorter run for producers. Third, there is a recent

Figure 6



Source: BPS

trend that the demand for Indonesian exports from traditional market is declining.

Furthermore, second quarter imports reached US\$14.7bn, a substantial increase of 37 percent that was driven by the increase in oil-and-gas imports by 56 percent. Imports of capital goods continued to increase at 42%, compared to the previous quarter's 38%.

Despite the Rupiah weakening—which is supposed to put a brake on imports—the continued increase of international oil prices will maintain the growth of the value of imports: unless the fuel subsidy is removed, the adjustment in fuel consumption will not happen.

Current account and capital account

In Q1-2005, current account was in a surplus of US\$2.5bn, in contrast to a deficit of US\$2.2bn in Q1-2004. The surplus was due to the increase in the trade surplus and the decline in the services deficit. We expected the decline in the current account surplus for Q2-2005, due to the soaring imports.

Moreover private capital account in Q1-2005 was in deficit of US\$0.1bn due to the low direct-investment inflow, portfolio-investment inflow and loans disbursements compared to the debt repayments due. Direct-investment inflow was only about US\$0.4bn, a 5% decline (y-o-y). Port-

folio investments declined slightly, by 8%. Furthermore, debt repayment responsibility remained high, at US\$ 3.5bn, while loans disbursement, at about US\$1.6bn, was low.

FISCAL POLICY: THE 2005 STATE BUDGET

This quarter seems to be critical for the current administration as the new developments in the oil market and domestic macroeconomic indicators called for immediate budget revisions. There are at least two major issues to address regarding the revised budget: its basic assumptions and its actual disbursements in the first semester.

Basic assumption of the revised budget (APBN-P 2005)¹ was no longer valid. The revised 2005 state budget was based on several assumptions: a US\$45/barrel oil price, 6% economic

growth, 7.5% inflation, 8% SBI-rate, and a Rp.9300/US\$ exchange rate. After the first semester of 2005, these assumptions were no longer sensible as oil prices shot up to US\$60 and other macro indicators were also higher than the original assumption (Table 3). These adjustments imply that the government will have to increase its budget deficit by 33%.

On the second issues of low budget disbursement rate, the concerns are its impact on this year inflation rate and the effectiveness of its implementation. In the first six months of 2005, the budget was disbursed all too slowly to stimulate growth. The budget realization in the first semester of 2005 was as low as 28%. Additionally, instead of having an expansive budget, we observe a contractive budget in the first semester of 2005 (Table 4).

What remains to be disbursed from the budget would affect the state of

Table 3

MACRO INDICATOR ASSUMPTIONS

Macro indicators	2005		2006
	APBN-P (Revised)	Predicted Realization	Draft
GDP (Rp Trillion)	2,624.3	2,636.5	2,996.0
Growth (%)	6.0	6.0	6.2
Inflation (%)	7.5	8.0	7.0
Exchange rate (Rp/US\$)	9,300	9,500	9,400
SBI rate, 3 month (%)	8.0	8.3	8.0
Oil price (US\$/barrel)	45.0	50.6	40.0
Oil production (million barrel/day)	1.125	1.075	1.075

Source: MoF

Table 4

ACTUAL DISBURSEMENT OF 2005 BUDGET

Indicators	2005	2005	2005	Draft Budget 2006
	Semester I	Projected Realization	Semester II	2006
Tax Revenue	150,182.60	347,567.80	197,385.20	402,101.50
Central Government Purchase	109,388.10	392,819.50	283,343.40	375,051.70
Local Government Purchase	63,394.00	149,580.60	86,186.60	184,185.00
Interest payment on Foreign Debt	6,605.50	59,243.30	52,637.80	73,471.60
Debt Repayment	17,360.00	36,325.90	18,965.90	60,382.80
Expansion (+)/Contraction (-)	(1,366.00)	99,263.10	100,629.10	23,280.80
GDP (Trillion Rp.)/2000	1,296.90	2,635.50	2,636.50	2,996.00

Source: MoF

the economy in the rest of 2005. First, it will create inflationary pressure in the coming months. Secondly, the time-constraint would jeopardize the effectiveness of program implementations. Thirdly, there is the exchange-rate risk due to the huge amount of foreign debt repayments and interest payments that had not been channeled nine months into 2005.

The 2006 Draft Budget

Given the recent development, there is a need to revise the 2006 budget, since the assumptions used are far from what is realistic. Oil prices are expected to increase as the upcoming winter season in the northern hemisphere will increase fuel demand. By the end of August 2005, oil prices was already at US\$68 per barrel. The assumption on the SBI-rate was also much too low given Bank Indo-

nesia's recent SBI-rate increase to 9.5%. The exchange rate assumption also needs to be changed to reflect the prevailing rate of around Rp. 10,000/US\$.

Hence, the 2006 draft budget's assumptions of oil prices, interest rates and exchange rate must be revised upward. This implies that we will see a higher budget deficit in 2006. Hence, fuel subsidies need to be eliminated—instead of reduced—in 2006 to prevent soaring deficit.

The Revision of the Taxation Law

The government recently issued a tax bill aimed at revising Law No 18/2000 on VAT and Luxury Tax, and Law No 17/2000 on Income Tax. This proposed revision will result in a temporary loss in tax revenue, but this is expected to be compensated by the increase in the tax base. Tax revenues in 2006 is expected to in-

crease by 16% to US\$38.47 billion from 2005.

The bill also introduces administrative breakthroughs, with time limits for tax procedures, selective audits of taxpayers, and the establishment of a special commission to supervise tax officials. The bill proposes time limits for income-tax and VAT claim refunds that do not require further audits. If the tax directorate fails to issue the claimed refunds within the period, it must pay a 2% monthly interest on the unpaid funds. Moreover, under the bill, taxpayers can file a complaint to the Ministry of Finance's Directorate General, and hence, compensation would be applied should the tax tribunal accepted it.

The bill also introduces tax amnesty, aimed at improving taxpayer compliance, especially in the corporate sector. With this, taxpayers can revise their tax statements and report their real earnings starting from the FY 2001 until 2005. This offer, which would be valid only during the first year of the new law's implementation, will cover unpaid income taxes,

VAT, luxury taxes and land and building taxes.

The bill proposed reductions in income-tax rates for micro- and small-businesses from the current maximum of 30% to 10%. It also exempted VAT exemption on imported services, such as software, franchise and consultancy products of export-oriented firms, unprocessed agricultural foodstuffs and banking services. Meanwhile, start-up companies can pay VAT on their capital goods in installments once they begin production.

Meanwhile, on the income tax, the government focuses on increasing the tax base while reducing tax evasion. This is done, among others, by imposing taxes on asset purchases through special-purpose vehicles (SPVs) and requiring all contractors in the energy and mining sector to register as permanent institutions.

In the 2006 draft budget, the government set gain US\$19.83 billion from income tax and US\$12.67 billion from VAT and luxury taxes. Against this backdrop, a 13.4% tax ratio by 2006 seems attainable.

Multilateral Security Framework in Northeast Asia: A View from Southeast Asia*

Rizal Sukma

INTRODUCTION

ALL Northeast Asian states are engaged in various multilateral institutions in the wider Asia-Pacific region. With the exception of Democratic People's Republic of Korea (DPRK), most countries play an active and positive role in one way or another. Still, as a sub-region, Northeast Asia does not have yet a multilateral security forum of its own. Indeed, most analysts and policy makers seem to agree that a multilateral security arrangement, which accommodates security interests of all, is needed in Northeast Asia.¹ The

question, however, is how to achieve it. Unlike in the other sub-regions in Asia-Pacific, the path towards establishing a multilateral security framework in the Northeast Asian region is still blocked by many obstacles.

This paper examines the prospects for a Northeast Asian multilateral security framework within the context of the experience of multilateralism in the wider Asia-Pacific, especially those of ASEAN, ARF and CSCAP. It addresses three inter-related questions: How could multilateral (security) institutions in the Asia-Pacific region contribute to creating multilateralism in Northeast Asia? How could they regulate the interactions among major

*Paper presented at the First Meeting of CSCAP Study Group on Multilateral Security Framework in Northeast Asia Tokyo, 29-30 April 2005.

¹See, for example, Frank Umbach, "The Future of Multilateralism in Asia," *IRI-Review* 9, no. 1 (Winter 2003/Spring 2004): 180; Jack Pritchard, "Beyond Six Party Talks: An Opportunity to Establish a

Framework for Multilateral Cooperation in the North Pacific," paper presented at NORPAC Hokkaido Conference for North Pacific Issues, 7 October 2004; and Kongdan Oh, "Northeast Asia: Changes and the Potential for a Cooperative Future," *NIRA Policy Research*, January 2003.

powers that will be critical in forming multilateralism in the sub-region? Can the rules and norms being developed at the regional institutions be transplanted into Northeast Asia? And, based on the experience within the ARF and CSCAP process, can a multilateral forum for Northeast Asia be established?

The discussion is divided into three sections. The first section addresses the limits of multilateral institutions in Asia-Pacific as they relate to the specific needs of Northeast Asia. The second section looks at how these institutions could contribute to creating a multilateral security framework in Northeast Asia. The third section, based on the analysis in the first and second section, explores the possibility for a Northeast Asian multilateral security framework.

SECURITY MULTILATERALISM IN ASIA-PACIFIC: THE NATURE, CHARACTERISTICS AND PITFALLS

Within the Asia-Pacific, a region-wide multilateralism in security field is in fact a recent phenomenon. Even within Southeast Asian sub-region, where the Association of Southeast Asian Nations (ASEAN) is often described as the first (relatively) successful experiment in multilateralism, explicit security cooperation in a multilateral setting has only become

possible with the end of the Cold War. After focusing more than two decades on economic cooperation as a way to achieve regional stability, ASEAN explicitly acknowledged the necessity for security cooperation and accommodated it into the Association's agenda only in 1992 when leaders of member states gathered in Singapore for the fourth summit.

The first Asia-Pacific multilateral security undertaking was only created in 1993 with the creation of the ASEAN Regional Forum (ARF). In this context, the ARF, then, can be seen as an important, new experimental element of regional undertaking in coping with security challenges through institution-building. And, in the post-September 11, multilateral economic institutions, notably the Asia-Pacific Economic Cooperation (APEC), have also increasingly taken up security issues into its agenda of cooperation. In tandem with official efforts, similar undertakings at promoting multilateralism through informal meetings have also been carried out through second-track fora, such as ASEAN-ISIS for Southeast Asia, and the Council for Security Cooperation in Asia-Pacific (CSCAP) for the wider Asia-Pacific region. Both fora, founded by research institutes of member countries, played an active role in debating issues and providing policy inputs into the official process.

The limits of these multilateral institutions, however, have always been subject to extensive scrutiny. ASEAN, for example, has been criticized for not being able to address security issues of common concern in a multilateral setting, let alone cooperating on an ASEAN basis. Inter-state problem-solving in ASEAN has always been carried out on bilateral basis. Indeed, talks about the declining role of ASEAN—both in terms of intra-mural cooperation and extra-mural relations—had begun since the end of the Cold War, and then intensified after the region was hit by financial crisis in 1997. In the view of many, both within and outside ASEAN, the organization has lost the diplomatic centrality it had enjoyed during the most part of 1980s and early 1990s. ASEAN is now faced with a series of fundamental problems: its cohesiveness is under stress; its existing principles, norms, and values are questioned; and its ability to play a role beyond Southeast Asia is in doubt.²

The ARF is not in a better shape. It was, still is, by nature an ASEAN-

organised regional multilateral security forum in which the structure employed is that of the expanded form of ASEAN Post-Ministerial Conference (PMC).³ It was established with the object of promoting Confidence-Building Measures (CBMs) and preventive diplomacy. As Leifer has observed, "the ARF is unique in that the formal initiative and organizational responsibility for its creation were assumed by a grouping of lesser states—ASEAN—rather than by the major regional powers."⁴ Through the ARF, ASEAN is attempting to advance its regional security interests in the face of uncertainties attendant of the end of the Cold War. This explains ASEAN's insistence to play a role as "the primary driving force of the ARF process." The initial success of that attempt has been evident in the nomenclature of the grouping which assumes the title ASEAN Regional Forum and not Asian Regional Forum. The forum has also been seen as an extension of ASEAN's model of regional security.⁵

²For an analysis of ASEAN's problems since 1997, see Rizal Sukma, "The Declining Role of ASEAN as a Manager of Regional Order," paper presented at NIDS Workshop on Regional Security Order in Asia, Tokyo, 23-24 October 2000, and Rizal Sukma, "Assessing ASEAN Vision 2020: The Political and Security Dimension," paper presented at ASEAN People's Assembly, Batam, Indonesia, 24-26 November 2000.

³Michael Leifer, *The ASEAN Regional Forum: Extending ASEAN's Model of Regional Security*, Adelphi Paper 302 (London: International Institute for Strategic Studies, 1996), 22.

⁴*Ibid.*, 53.

⁵See, Michael Leifer, "The Extension of ASEAN's Model of Regional Security," in Coral Bell, ed., *Nation, Region, and Context* (Canberra: Strategic and Defence Studies Centre, Australian National University, 1995), 73-90.

It is due to this nature as an expanded model of ASEAN that the adequacy of the ARF for non-ASEAN states, especially Northeast Asia, has been questioned.⁶ For example, it has been argued that the ASEAN model stalls when it is implemented into ARF because the Association believes that "inclusivity and unanimity are desirable and feasible on the most important issues of Asian security."⁷ ASEAN's emphasis on the gradual process and consensus-building is also seen as a problem for the ARF because "it will appear irrelevant should it become bogged down in preliminary CBM discussion without ever tackling serious conflicts of interests or threatening behavior."⁸ The ARF is also seen as an organization which does not possess the leverage to restrain major powers' tendency to pursue their own interests contradictory to the ARF's goals and objectives.⁹

⁶A counter-argument to the criticisms cited here, see Rizal Sukma, "ASEAN and The ASEAN Regional Forum: Should 'The Driver' Be Replaced?", paper presented at ASEAN-ISIS Conference on *ASEAN 2020 Vision: Crisis and Change*, Singapore, 21-22 July 1999.

⁷John Garofano, "Flexibility or Irrelevance: Ways Forward for the ARF," *Contemporary Southeast Asia* 21, no. 1, (April 1999): 84.

⁸*Ibid.*, 75.

⁹Shaun Narine, "ASEAN and the ARF: The Limits of the ASEAN Way", *Asian Survey* 37, no. 10 (October 1997), 975.

Moreover, ASEAN's insistence to extend "the ASEAN way" to Northeast Asia has been cited as an example of ASEAN's insensitivity to the nature of security problems in that sub-region. Therefore, due to its uncertain contribution to Northeast Asian security, ASEAN's leadership in the ARF "can do little to promote security" because "North Asia and not Southeast Asia is the locus of regional strategic tension."¹⁰ Finally, the US has always criticized the ARF for its inability to address core regional security issues such as the Korean Peninsula and Taiwan, and Washington has not considered ARF's progresses in overcoming mutual suspicion among states to be impressive ones.¹¹

The second-track approach to multilateral security dialogues, despite its informal nature, has not been spared from criticisms as well. It has been argued, for example, that the process at track-two level—especially due to the active role played by ASEAN-ISIS—has served to legitimize ASEAN norms, or the ASEAN Way, in multilateral security dialogue in the wider East Asia. This is seen as an important element for an attempt

¹⁰Robyn Lim, "The ASEAN Regional Forum: Building on Sand," *Contemporary Southeast Asia* 20, no. 2 (August 1998), 115.

¹¹Jurgen Haacke, "The Aseanization of Regional Order in East Asia: A Failed Endeavor?," *Asian Perspective* 22, no. 3, (1998): 32-33.

at the "ASEANization" of regional order in East Asia.¹² CSCAP has also been criticized for being "too intertwined with governments in the region" and this might affect its potential for critical thinking and the quality of analysis and discussion.¹³ The exclusion of some issues from CSCAP meetings is seen as an example of how CSCAP has been dictated by government's agenda.¹⁴ In other words, as a non-governmental body, CSCAP is subject to limitations imposed by the closeness of some of its members to their respective governments.

However, it is also important to argue that the merit of CSCAP lies in its ability to influence the official agenda of the ARF. Without the ability to influence policy, CSCAP will not serve more than a venue for a reunion of close individuals with common interests. In that context, the track-two process would only serve as a way to "keep security analysts and retired ambassadors in business." Seen in this context, one can add additional criticisms against CSCAP. First, the problem with CSCAP is that not all member committee has a similar capacity to influence policy in their re-

spective capital. Second, not all member committees are committed to the task of influencing government's policies. Third, not all member committees are active in socialising the results of CSCAP meetings in their respective countries. Therefore, the main challenge facing CSCAP in the future is how to improve the capacity to influence official agenda and policy-making.

However, it is important to note that these processes, especially within the ASEAN and the ARF, have survived due to the principles and norms, mechanism, and approach that have been employed in their cooperation. The principles and norms—especially non-interference—serve to accommodate the conventional views in the region that sovereignty remains the most important norm of state-system. The decision-making mechanism, which relies on consensus, gives a sense of equality among those involved. And, the gradual approach provides an insurance that the process is not meant to serve interests of one party or a group of parties.

COULD THEY CONTRIBUTE TO NORTHEAST ASIA?

Are there, then, any factors resulting from ARF process that could contribute to creating multilateralism in Northeast Asia? Despite all the limitations, however, there have been

¹²*Ibid.*, p. 14.

¹³Herman Joseph S. Kraft, "The Autonomy Dilemma of Track Two Diplomacy in Southeast Asia," *Security Dialogue* 31, No. 3 (September 2000): 346.

¹⁴*Ibid.*, 347.

a number of positive results coming out of the Asia-Pacific wide process that could contribute to creating multilateralism in Northeast Asia. These factors constitute as favorable experience that could be taken into account by Northeast Asian countries when they are considering the possibility for a multilateral security institution of their own.

First, the multilateral security experiment in the Asia-Pacific (ARF) does provide a venue for a learning process so that every member state becomes more comfortable with the idea and the merits of multilateral security arrangement. The fact that extensive dialogues and workshops have taken place at an unprecedented rate should also indicate the growing comfort of regional countries with the existing ARF mechanism and approach. Such undertaking, if sustained, would contribute to creating the habit of dialogue. As demonstrated in the 35 years of ASEAN's experience, the presence of the habit of dialogue, and the culture of consultation, contributed significantly to the institutionalization of self-restraint attitude and mutual respect among member states.

Second, it is also important to recognize that the ARF process has been able to emphasize the merits of multilateralism without discarding the primacy of bilateral approach that

still serves as the tenet of American engagement in Asia-Pacific and the core element of China's international relations. The ASEAN and ARF processes have not undermined the important of bilateral security relations of any member state which still sees this as essential in its foreign relations. Within ASEAN, for example, their membership have not forced the Philippines and Thailand to downgrade the importance of their bilateral security relationships with the United States. ASEAN has not made it problematic for Singapore and Malaysia to be part of the Five Power Defense Arrangement (FPDA). The ASEAN and the ARF processes demonstrate that the two models could co-exist in a positive context. Indeed, the multilateral arrangement serves as a complement, rather than a substitute, to the bilateral arrangement.

Third, albeit the criticisms and their constraining effects on progress, the multilateral experience in the Asia-Pacific demonstrates the utility of traditional norms and practices in international relations—sovereign, non-interference, and consensual decision-making process—in providing a starting point for all participants and then generate a comfort level among them. The reference to these norms played a significant role during the formative years for an institution where national security interests of member states are still defined by the need to pre-

serve the sanctity of state sovereignty. Over time, however, the process facilitates enhanced interactions among member states.

Fourth, ASEAN's model of multilateralism, which finds its way into the working of the ARF, has also demonstrated that it could contribute to regulating major power interactions. It does so through a model that alters and modifies the traditional practices of a military-based balance of power into a rule-based balance of power within a cooperative multilateral security arrangement.¹⁵ Within this model, "potential hegemonic dispositions can be restrained through political and institutional means and without the use of war, the traditional instrument of the balance."¹⁶ At the same time, multilateral security mechanism can also serve as a venue for major powers (and also other participants) to interact on a regular basis, including to advance their own security interests, within the context of cooperative arrangements.

Fifth, the experience at the Asia-Pacific wide level clearly demonstrates the utility of a "second-track" process

to the official process of ASEAN and the ARF. The ASEAN-ISIS and CSCAP, for example, have played an important role as a venue, not only to generate new ideas, but also to test new policy options being considered by various governments. As noted by Cossa, "CSCAP can also provide 'benign cover' for governments to vet policies and strategies in an academic setting prior to adopting formal proposals at the official level."¹⁷ However, as many analysts have warned, being too close to the government could also hamper the process and limit the utility of such an informal forum.

All these ingredients, resulting from the ASEAN-based model of multilateral processes, are necessary for member states in one important way: to build confidence among participants for avoiding conflict, thus reducing the risk for the occurrence of a crisis. However, unless it developed into a highly institutionalised form, such model has a limited capacity (if not absence altogether) to resolve crisis once it has occurred.¹⁸ In fact, it is also here why an all-inclusive multilateral security arrangement has become possible in the wider Asia-Pacific context. Mem-

¹⁵For an excellent argument on this point, see Ralf Emmers, "The Influence of the Balance of Power factor within the ASEAN regional Forum," *Contemporary Southeast Asia* 23, no. 2 (August 2001): 275-291.

¹⁶*Ibid.*, 276.

¹⁷Ralph Cossa "Asian Multilateralism: Dialogue on Two Tracks," in *JFQ* (Spring 1995): 36.

¹⁸*Ibid.*, 35.

bership in multilateral institution would guarantee the possibility for reducing conflict but, at the same time, it has not discarded the utility of other arrangements—such as bilateral security arrangements and alliance—when a crisis arises.

THE PROSPECTS: CAN THE SIX-PARTY TALKS SERVE AS A STARTING POINT?

Despite all the favourable experience resulting from Asia-Pacific wide multilateral security institution, the most important question remains: why is there until today no multilateral security institution in the North-east Asian sub-region? All those favourable factors or experience discussed above constitute necessary ingredients for the establishment of a multilateral security framework, but they are clearly not sufficient. Northeast Asia, as a sub-region, has unique characteristics and is faced with a set of its own security problems and challenges. Even though the regional countries have in fact embarked upon a second track process since 1993, through the Northeast Asia Cooperation Dialogue (NEACD), the complexity of the problems has not permitted, such a forum to become a precursor of a formal one.

This paper has no intention to dwell upon obstacles and problems standing in the way of forming a multilateral security institution in the

sub-region.¹⁹ The possibility for such an institution to be formed, however, is not absent altogether. In fact, over the last two years, there have been some encouraging developments towards that direction. One of those developments is the Six-Party Talk (SPT) which, despite all the problems facing it at the moment, has raised expectation and hope among regional countries that it could serve as the basis or an embryo for a formal multilateral security framework in North-east Asia. In this regard, the challenge is how to transform such expectation into reality.

The possibility for, and the feasibility of, establishing an organizational framework for a formal multilateral security cooperation in North-east Asia based on the SPT has been subject to extensive discussion. It has been argued, for example, that any attempt to transform the SPT into a formal multilateral security framework would "rest on the successful outcome (or on the lack of failure) of the Six Party process."²⁰ Since the core issue of the SPT is the resolution of North Korea's nuclear problem, then the prospect for a formal multi-

¹⁹For discussions on the obstacles, see among others, Kongdan Oh, "Northeast Asia," and Chung Ok-nim, "Solving the Security Puzzle in Northeast Asia: A Multilateral Security Regime," *CNAPS Working Paper*, 1 September 2000.

²⁰Pritchard, "Beyond Six Party Talks," 6.

lateral security arrangement will also depend on Pyongyang's willingness to dismantle and abandon its nuclear ambition. If this logic is to be followed, then a Northeast Asian multilateral security framework might not be achieved in a near foreseeable future. The real question is, then, whether the creation of a multilateral security institution for Northeast Asia should depend solely on the resolution of North Korean problem.

This is not to say that the nuclear standoff in the Korean Peninsula is not a pressing problem that warrants an immediate resolution. Nor is it meant to say that the SPT has no utility in the face of North Korea's defiance. It has been argued, for example, that "the Six Party Talks still provide the best forum to try to solve the crisis" but, at the same time, "these talks may never resolve the nuclear crisis either."²¹ Therefore, the key challenge then is how to resolve that dilemma. The fact that the other five parties are all united in a common desire to see a non-nuclear Korean Peninsula should have served as a starting point. Instead of waiting for North Korea to give up its nuclear plan, would it not be better for the five to take necessary measures to use the op-

portunity presented by the SPT? The structure, especially in terms of membership, could not have been better. At issue here, then, is how to inject a set of principles, mechanism, and agenda into the working of that structure.

From a Southeast Asian view, it is probably the right time to institutionalize the structure with or without North Korea's participation, and then expand the agenda for cooperation. Perhaps, the participants to the SPT should begin to entertain the view that an institution needs to be created in order to resolve a problem, rather than insisting on making the resolution of the problem as a precondition for the establishment of an institution.

CONCLUSION

This paper has argued that multilateral security cooperation in the wider Asia-Pacific context, albeit limited, could contribute to creating multilateralism in Northeast Asia. It does so by: (a) providing a venue for learning about the merits and utility of multilateralism; (b) making it possible for member states to embrace multilateral security cooperation without undermining traditional bilateral security arrangement; (c) demonstrating the utility of traditional norms and practices in international relations—sovereignty, non-interference, and consensual decision-making process—

²¹Choong Nam Kim, "Six Party Talks Still Best Option But May Never Resolve Nuclear Standoff," *East-West Wire*, 15 February 2005, www.eastwestcenter.org

in facilitating the enhanced interactions among member states; (d) regulating the interactions among major powers through a model that shifts the traditional practice of military-based balance of power to a rule-based balance of power within a cooperative security arrangement; and (e) showing that a parallel, informal second-track process could facilitate cooperation at official level.

Yet, all these favorable experiences, while necessary, are not sufficient to transform the SPT structure into a more institutionalised multilateral security framework in Northeast Asia. A suggestion can be made that while the participants to the SPT should continue to address the North Korean nuclear issue, steps towards creating a multilateral security mechanism—with an expanded agenda—should be considered, with or without North Korea's participation. The prerequisite for all-inclusive forum should not deter such steps. Most multilateral institutions usually start out with smaller memberships. Multilateral undertakings in the Asia-Pacific region, such as the ASEAN, APEC, ARF, and even the CSCAP are not exception to this. In Northeast Asian context, therefore, five is perhaps better than none.

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Regional Cooperation and Security in Southeast Asia: The ASEAN Case*

C.P.F. Luhulima

INTRODUCTION

The impetus to consider the creation of a regional cooperation and security system were politicians, people in government. The earliest idea was submitted at the Asian Relations conference in New Delhi in 1947. The initial idea of setting up a wholly Southeast Asian grouping was conceived at this conference as the Southeast Asian delegates to the conference believed that India and China could not be expected to support the national cause and struggle of the Southeast Asian states. Abu Hanifah of Indonesia wrote that Indonesia, Myanmar, Thailand, Vietnam, the Philippines and Malaya

Debated, talked, [and] planned a Southeast Asian Association closely cooperating first in cultural and economic matters. Later, there could be perhaps

be a more closely knit political cooperation. Some of us even dreamt of a Greater Southeast Asia, a federation.¹

The key figure in this quest was Aung San of Myanmar who proposed the idea of a Southeast Asia economic union. Vietnamese communists also began thinking of a Southeast Asian grouping, albeit on Marxian principles, and urged Thailand to take the lead in organizing such a grouping modeled after the UN and its principles to defy the reimposition of European rule.

Discussions about the usefulness of regionalism at that time highlighted the inability of Southeast Asian states to achieve self-reliance without collective efforts. Their geographic location between China and India, the existence of common interests in addressing domestic problems, and mutual support in their struggle against the colonial powers were highlighted as

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¹Cited in Amitav Acharya, *The Quest for Identity. International Relations of Southeast Asia* (Singapore: Oxford University Press, 2000), 46.

the rationale for regional unity.² Support for the nationalist cause was the main parameter for the enthusiasm in establishing a regional organization.³ Then Vietnam lost interest in its earlier efforts in organizing regional cooperation when more moderate nations like Indonesia under Soeharto, Malaysia, Thailand and the Philippines refuse to go the revolutionary way in regional cooperation, and created the Association of Southeast Nations (ASEAN) in August 1967 by declaration.

A number of major goals were set out in the *ASEAN Declaration* in

²Amitav Acharya, op.cit. 47

³The name "Southeast Asia" became popular during World War II. In August 1943 the Allies created the combined Southeast Asian Command. In October 1943, Winston Churchill appointed Admiral Lord Louis Mountbatten as Supreme Allied Commander Southeast Asia, which included Ceylon (Sri Lanka), and which he held until SEAC was disbanded in 1946. It became a household term when the Cold War was raging in the 1950s and the United States created the Southeast Asia Treaty Organization, "a Southeast Asian alliance without Southeast Asia." Walter Lippman sees SEATO as the first formal instrument in modern times, which allows international intervention in the domestic affairs of a state, and the treaty as a possibility for legal intervention in the internal affairs of a country. The future of the organization was in doubt by 1973 and finally disbanded in 1977. Southeast Asia comprises the Indochina Peninsula, the Malay Peninsula, and the Indonesian and Philippines Archipelagos. The region now has 10 independent countries: Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

Bangkok on 8 August 1967. First is to reconcile intra-regional strife, which characterized Southeast Asia at the time in the form of border and territorial disputes, ethnic conflicts and animosities, religious prejudices, and the fear of smaller states of the bigger states. Second, to manage it and create a Southeast Asian regional order on the basis of the social and economic systems of each member country and the territorial status quo. Both goals are to be achieved by way of a third goal, which is to speed up "the economic growth, social progress and cultural development in the region". This goal is indeed more pronounced than the goal to "promote regional peace and stability". Nonetheless, ASEAN's founding fathers were confident that economic and societal development, on the one hand, and peace and stability on the other, were tightly linked. This linkage was expressed time and again in their speeches and in the agreements they signed since the Association's establishment. They are further determined, and this is their fourth goal, "to ensure their stability and security from external interference in any form or manifestation" to "preserve their national identities in accordance with the ideals and aspirations of their peoples". Hence, "all foreign bases are temporary and remain only with the expressed concurrence of the countries concerned and are not intended to be used directly or indirectly to subvert

the national independence and freedom" of the member states.

Right from the beginning ASEAN was a mechanism of confidence building and conflict management, a mechanism of regional security. The success of establishing ASEAN despite the region being overwhelmed by incessant domestic disorder and politics internally and externally by the geopolitics of the Cold War was also fostered by the collective quest for the management of political security and economic development. The idea of regional cooperation in the ASEAN context was, as were earlier initiatives, raised by people in government, by officials, by academics in government.

"There was a convergence in the political outlook of the five prospective member-nations, both with regard to national priority objectives as on the question of how best to secure these objectives in the emergent strategic configuration of East Asia," wrote Adam Malik, Indonesia's foreign minister at the time. The five member-nations were also "aware of the compulsive inclination of outside powers, and especially the major powers, to continue to insert their interests in the affairs of this vitally important part of Asia." As a consequence of the "inevitable pattern of external influences and conflicting interests, the shaping of a coordinated approach" among them "towards the

problems of peace, stability and development" was urgently needed.⁴

ASEAN superseded earlier attempts on the establishment of regional organizations: the *Association of South-east Asia* (ASA) by Malaysia, Thailand and the Philippines in 1961 which were targeted to fight communist subversion and its major cause: poverty, and Maphilindo, a loose confederation of Indonesia, Malaysia and the Philippines to fight and overcome the crisis in the region which were: Soekarno's nationalism and his opposition to the Malaysian Federation and the ensuing policy of *Konfrontasi*, and the Philippines' claim to Sabah (North Borneo). Both organizations were inspired and organized by Southeast Asians. "It is a substantive illustration of an indigenous effort toward regionalism."⁵ Maphilindo may be perceived as one of the first attempts of Southeast Asian nations to find 'regional solutions to regional problems', since the motivation for its creation came as a result of British refusal to discuss with Manila its claim to Sabah.

The strong security links of the Philippines (by a treaty) and Thailand (by an executive agreement—the 1962

⁴Adam Malik, "Regional Cooperation in International Politics," in *Regionalism in Southeast Asia* (Jakarta: Yayasan Proklamasi, 1974), 161.

⁵Bernard K. Gordon, *The Dimensions of Conflict in Southeast Asia* (New Jersey: Prentice-Hall, Inc., 1966), 162.

Rusk-Thanat statement) with the US in SEATO (*Southeast Asia Treaty Organization*), and Malaysia and Singapore with England in the *Anglo-Malayan Defence Agreement* (AMDA) to be replaced by the *Five Power Defence Arrangement* in 1971, were the major reasons why Indonesia proposed a new regional organization comprising the whole of Southeast Asia, dismissing non-Southeast Asian states in organizing security cooperation and configurations in the region. Although one study dismissed Maphilindo as a "hardly more than a slogan and sentiment," it was a precursor of some of ASEAN's key principles on the presence of foreign military bases in the region: that foreign bases should not be used to "subvert the national independence" of any member. It implied the intent to restrict the use of foreign bases in Singapore and in the Philippines. They also pledged not to use "collective defense to serve the interests of any among the big powers."⁶ A second principle that Maphilindo brought up was a commitment to *musyawarah* or consultation, as the basis for settling disputes among members.⁷ These became in-

tegral parts of ASEAN's cooperation as stated in the Bangkok Declaration of 8 August 1967.

ASEAN's major goals of regional political and security endeavors were subsequently cast into four instruments for the political and security build-up: The *ASEAN Declaration* itself, *The Declaration on the Zone of Peace, Freedom, and Neutrality* of 1971, which was primarily meant to secure the recognition and respect for Southeast Asia as such a zone; *The Bali Concord* (1976) and ZOPFAN's legal instrument *The Treaty of Amity and Cooperation in Southeast Asia* (1984) which were meant to promote perpetual peace, everlasting amity and cooperation among the Southeast Asian nations.

As indicated in the *Treaty of Amity and Cooperation*, ASEAN was never meant to become an independent variable. National independence and sovereignty should prevail over every endeavor of regionalization. On 8 August 1967 Mr. Rajaratnam, Singapore's foreign minister at the time, told his colleagues that ASEAN foreign ministers should not only think of their national interests, but that they should point them against the regional interests: "that is a new way of thinking about our problems." They are "two different things", he continued, "and sometimes they can conflict. ... We must accept the fact ... that regional existence means painful ad-

⁶T. Morgan and N. Spielstra, Eds. *Economic Interdependence in Southeast Asia* (Madison: University of Wisconsin Press, 1969), 10.

⁷Amitav Acharya, *The Quest for Identity, International Relations of Southeast Asia* (Singapore: Oxford University Press, 2000), 83.

justments to those practices and thinking in our respective countries. If we are not going to do that, then regionalism remains a Utopia."

Although Rajaratnam's view was taken into account, ASEAN was to remain a loose mechanism of inter-governmental cooperation. ASEAN as a regional organization operates in an explorative way: it operates on the basis of the "lowest-common-denominator" approach, on the basis of deliberations and agreement on one comfortable denominator for all five members before moving to higher levels of cooperation comprising multiple denominators through *musyawarah* and *mufakat*, through consensus and agreement. ASEAN thus operated on the principle of agreed comfort levels.

It is to warrant ASEAN as a dependent variable that the *ASEAN Ministerial Meeting* became the highest decision-making body with the *ASEAN Standing Committee* as the manager of ASEAN affairs in between Ministerial Meetings, except in the field of politics. It is the AMM and the Standing Committee that guarantees that ASEAN does not become an independent variable, a more integrated regional organization, which will crucially minimize the role of member states. The position of ASEAN's foreign ministers as the highest decision-making body on ASEAN affairs has not changed after

the institutionalization of the *ASEAN Economic Ministers Meeting* in 1976 and the institutionalization of the *ASEAN Heads of Governments Meeting* at the Singapore Summit in 1992.

THE INDONESIAN VIEW OF SOUTHEAST ASIAN REGIONALIZATION

Before ASEAN's establishment, General Soeharto, as Chairman of the Cabinet Presidium, at the opening of the Opening Session of the 1966/67 Parliament on August 16, 1966 at the end of his statement said that the solution of the Indonesian-Malaysian confrontation would contribute greatly to the political stability of Southeast Asia. That stability was ultimately indispensable for the achievement of "wealth and prosperity" of the Southeast Asian nations. With the termination of *Konfrontasi* with Malaysia, Indonesia stepped up its policy of establishing close cooperation for the benefit of all Southeast Asian nations, to achieve a Southeast Asia cooperating in the economic, technical and cultural fields. "If one day an integrated Southeast Asia could be established, then this region could withstand external influence and intervention from anywhere, both economically and militarily. A cooperating Southeast Asia, an integrated Southeast Asia is ultimately a stronghold and bulwark to resist imperialism and colonialism in whatever form and from whatever direction."

From the very beginning of his statement questions arose domestically what Soeharto meant by an "integrated Southeast Asia," and on what criteria that integration is to be achieved. In the course of his further statements the criteria became clearly formulated: it was the concept of national resilience which grew out of the discussions in the National Security Institute (now National Resilience Institute/*Lembaga Ketahanan Nasional*) which started in 1964 with the long term objective of developing "the ability of the nation to cope with, endure and survive any kind of challenges or threats in the course of its struggle to achieve its national goals". It is the nation's ability to integrate each component of its existence: ideological, political, economic, socio-cultural and defence and security into its comprehensive strength. It means the "total mobilization and utilization of all of a nation's tangible and intangible resources in defence of its interests".⁸ It is "an organizational and management concept for peace, prosperity and order in the life of the Indonesian nation based on Pancasila and the 1945 Constitution".⁹ Economic

growth and development are the foundation of the concept. The success of national economic development will augment national resilience, while a strong national resilience will equally foster strong economic growth. Hence, the prosperity and security approach became the linchpin of national resilience, although in practice the security approach dominated Indonesian politics.

National resilience has been conceptualized on the basis of Indonesia's own historical experience both during the struggle for independence and its early years as an independent state when every threat and aggravation manifested itself in domestic turbulence that could only, it was firmly believed, be solved by Indonesians themselves without assistance from any outside party. National security concerns thus arise from Indonesia's vulnerability as a new state. The Indonesian government has a "deep-seated sense of insecurity and constantly talks about the threats to national unity, ideology or economic development".¹⁰ The main threats and aggravations are the communist insurgency, separatist movements and the subsequent rebellions, the deep-seated anti-Chinese

⁸Donald Weatherbee, "ASEAN: Pattern of National and Regional Resilience" in Young Whan Kihl and Lawrence E. Grinter, *Asian-Pacific Security. Emerging Challenges and Responses* (Boulder, Colorado: Lynne Rienner Publishers, Inc. 1986), 202.

⁹Explanatory note to the Republic of Indonesia Law, no. 20, 1982, Par. 5.

¹⁰Dewi Fortuna Anwar, *Indonesia's Strategic Culture. Ketahanan Nasional, Wawasan Nusantara and Hankamrata*, Australia-Asia Papers No. 75 (Queensland: Griffith University, Centre for the Study of Australia-Asia Relations, Faculty of Asian and International Studies, 1996), 33.

sentiments, and inter-ethnic and inter-religious conflicts. The May 1998 riots were the latest forceful expressions of anti-Chinese sentiments, as well as the open inter-ethnic and inter-religious conflicts, which occurred throughout the country, and manifested what is the deep-seated sense of insecurity and threats to national security. Potential external threats do not feature in Indonesia's strategic forecasts, although the purported Chinese threat lingers strongly in certain quarters of Indonesia's power elite, which is linked to domestic anti-Chinese sentiments.

It is this attitude of greatest self-confidence that Indonesia conveyed to the other ASEAN members to face the volatile strategic situation within and beyond their national perimeters. It was on the premise that lack of resilience in one nation invites foreign interference and threatens neighbouring states that Indonesia advocates all Southeast Asian nations to develop fully their economic, political and socio-cultural as well as defence and security potentials while co-operating with each other in a networking arrangement to desist any threat and provocation.

An integrated Southeast Asia in Soeharto's view thus means a Southeast Asia consisting of member states strengthening its individual national resilience in a networking arrangement towards developing ASEAN's regional resilience.

THE POLITICAL DIMENSION OF ASEAN'S SECURITY

Zone of Peace, Freedom and Neutrality

It was in 1971 that ASEAN succeeded in institutionalizing Southeast Asia as a *security community*, or as some analysts also suggest a *community of security interests*, when the foreign ministers signed the *Declaration on the Zone of Peace, Freedom and Neutrality* (ZOPFAN). Changes in great power relations made it necessary for ASEAN members to assess "the intentions of the great powers but also to get to know our individual relations to new developments and rapid changes in our area."¹¹ The ZOPFAN Declaration is the expression of ASEAN's unwillingness to allow the major countries in the Southeast Asian region: China, Japan, the Soviet Union and the United States of America unlimited or unrestricted involvement in the region. ASEAN has struggled relentlessly for the recognition and respect of the major powers for Southeast Asia as a zone of peace, freedom and neutrality while intensifying cooperation among themselves as a prerequisite to contributing to their "strength, solidarity and closer relationship" in the effort. Sheldon W. Simon interpreted ZOPFAN's goal from the American perspective as the

¹¹Singapore's Foreign Minister S. Rajaratnam at the Fifth AMM, April 1972.

"Diplomatic denial of the legitimacy of outside military activity in Southeast Asia. ... It was a political position designed to reassure China, Vietnam and the Soviet Union that the ASEAN states did not wish to continue the adversarial relationship characteristic of the Vietnam War period. ZOPFAN, if accepted, by outside powers, would insure freedom from great power interference in the region. In effect, a policy of denial had replaced that of alliance with the West. ... By broaching their own concept of regional security, the five could preempt Soviet designs and confine Russian alliances in the region to Vietnam and its clients."¹²

Some 14 guidelines were submitted to serve as guidelines for the formulation of a "code of good conduct" in the region. These guidelines opened the way for the management of political and security cooperation, both internal and external. The majority of the guidelines constitute the basis for promoting the growth of intra-Southeast Asian relations.

The proclamation of Southeast Asia as a zone of peace was soon followed by 14 guidelines to serve as a "code of conduct". These guidelines, developed by a Committee of Senior Officials, and signed at the 6th TH AMM in Pattaya in April 1973, are quoted here in full:

1. Observance of the Charter of the United Nations, the Declaration on the Promotion of World Peace and Cooperation of the

Bandung Declaration of 1955, The Bangkok Declaration of 1967 and the Kuala Lumpur Declaration of 1971;

2. Mutual respect for the independence, sovereignty, equality, territorial integrity and national identity of all nations within and without the region;
3. The right of every state to lead its national existence free from external interference, subversion or coercion;
4. Non-interference in the internal affairs of zonal states;
5. Refraining from inviting or giving consent to intervention by external powers in domestic or regional affairs of zonal states;
6. Settlement of differences or disputes by peaceful means in accordance with the Charter of the United Nations;
7. Renunciation of the threat, or use of force in the conduct of international relations;
8. Refraining from the use of armed forces for any purpose in the conduct of international relations except for individual or collective self-defence in accordance with the Charter of the United Nations;
9. Abstention from involvement in any conflict of powers outside the zone from entering into any agreement, which would be inconsistent with the objectives of the zone;
10. The absence of foreign military bases in the territories of zonal states;
11. Prohibition of the use, storage, passage or testing of nuclear weapons and their components within the zone;
12. The right to trade freely with any country or international agency irrespective of differences in socio-political systems;
13. The right to receive aid and freely for the purpose of strengthening national resilience except when

¹²Sheldon W. Simon, *The ASEAN States and Regional Security* (Stanford: Hoover Institution Press, 1982), 14-15.

the aid is subject to conditions inconsistent with the objectives of the zone;

14. Effective regional cooperation among the zonal states.

These rules of conduct re-affirm the characteristic of ASEAN's regionalism: ASEAN is and will remain a dependent variable which means that ASEAN remains a variable that depends on the willingness of each member country to comfortably release part or parts of their sovereignty for the construction of organized sub-regional life in Southeast Asia. Hence, the levels of ASEAN cooperation is very much decided by their sensitivities to the issues of sovereignty. The regional level of interaction can only increase if member countries are willing to reduce those sensitivities for a greater benefit to them.

Meanwhile, in that same month of November 1971 when ZOPFAN was proclaimed, Malaysia and Singapore, two ASEAN member nations, decided to cooperate with Australia, New Zealand, and the United Kingdom, and not with the other ASEAN members, to defend them in the event of an attack on both, in establishing the Five Power Defence Arrangement, a "loose consultative political framework."¹³ It replaced the 1957 Anglo-Malaysian

Defence Agreement. The most visible element of the FPDA is the Headquarters of the Integrated Area Defence System. "Having had its initial rôle firmly rooted in the air defence of Malaysian and Singaporean airspace, it is now regularly exercising FPDA forces in both Air Force and Naval operations and is moving towards the fuller integration of Army elements, as directed by the ministers in 2000. The UK sees FPDA as a successful and enduring defensive arrangement, and contributes considerable resources to keeping it active and healthy."¹⁴

Although the FPDA was seen by many only as a means to provide "moral and psychological support", Indonesia sees this arrangement as directed towards her as a consequence of the *Konfrontasi* period in the 1960s, and Malaysia's and Singapore's suspicion towards Indonesia were still very much alive in 1971. But looking at the fact that it is still being kept "active and healthy" that suspicion towards Indonesia as a threat is still very much alive.

But this defence arrangement was allowed, as was acknowledged in the Bali Concord of 1976 which stated under the sub-heading of security as follows: "Continuation of cooperation

¹³CPT Ang Wee Han, *Five Power Defence Arrangements: A Singapore Perspective*, http://www.mindef.gov.sg/safti/pointer/back/journals/1998/Vol24_2, accessed on 23 May 2005.

¹⁴British High Commission, Kuala Lumpur, *Five Power Defence Arrangement*, <http://www.britishhighcommission.gov.uk/servlet>, accessed on 23 May 2005.

on a non-ASEAN basis between the member states in security matters in accordance with their mutual needs and interests." This was still allowed in 2003. Despite the acknowledgement in the Vientiane Action programme that the individual security of each member in "fundamentally linked together and bound by geographic location, common vision and shared values, " (II. 1.1) the Declaration of the ASEAN Concord II still allowed the "enhancement of defence cooperation among ASEAN countries," albeit to keep other member nations informed about such activities. (Point 4)

The Treaty of Amity and Cooperation and the Manila Protocol

ASEAN members soon realized that for a zone of peace, freedom and neutrality to work in the region, it needed a code of conduct, a legal instrument to promote the growth of peaceful intra-Southeast Asian relations. The Bangkok Declaration and the fourteen guidelines became the fundamentals for the formulation of a legal instrument of Southeast Asian regionalism: It is not supposed to hamper "the independence, sovereignty, equality, territorial integrity and national identity" of all nations. It is to guarantee that each country in the region shall have the right to "lead its national existence free from external interference, subversion or coercion"; that there will be "non-interference in

the internal affairs" of one another; that "settlement of differences or disputes shall be conducted only by "peaceful means"; and that the "threat or use of force" shall be repudiated, and that "effective cooperation among themselves" shall be fostered.

These rules of conduct re-affirm the characteristic of ASEAN's regionalism: ASEAN is and will remain a dependent variable, a variable that depends on the political will of each member country to comfortably release a number of relevant components of their sovereignty for the construction of organized regional life in Southeast Asia. Hence, the level and weight of ASEAN cooperation are very much decided by their vicissitudinous sensitivities to the issues of sovereignty. The regional level and weight of interaction can thus only increase if member countries are willing to reduce those sensitivities for a greater benefit to themselves.

These guidelines simultaneously provide for internal as well as for external security. If a dispute between countries in the region were to occur which is very likely to disturb regional peace and harmony, and if the parties to the dispute were unable to resolve it, they would constitute "as a continuing body, a High Council comprising a Representative at ministerial level from each of the High Contracting parties to take cognizance of the

existence of disputes or situations likely to disturb regional peace and harmony." This method of preventive diplomacy refers succinctly to paragraph 33 (1) of the Charter of the United Nations. The stipulation is, however, only valid if the parties to the dispute agree to apply the instrument to their dispute. On the other hand, parties to the dispute should be persuaded to take the initiative in finding a solution to their disputes through peaceful negotiations and in the shortest time possible.

Implicitly, the Treaty on Amity and Cooperation, which in the process had grown into an instrument for conflict abating or diffusion, then conflict avoidance and prevention, and hence an instrument of preventive diplomacy rather than of conflict resolution, indicates that the realization of Southeast Asian regionalism will not move further if no effort is being made to find ways to face, and if possible, to substantially reduce and finally to eradicate the elements which hamper the augmentation of the solidarity and mutual understanding among the members.

However, despite the Treaty of Amity and Cooperation, conflict prevention in ASEAN is predominantly informal in nature. It is the strict adherence to intra-ASEAN norms of non-interference and non-use of force in inter-state relations as well as the time-consuming practice of consult-

ations and accommodation that have enabled ASEAN member countries to discharge the possibility of any serious military escalation of intra-mural disputes. ASEAN's preference is thus for informal approaches in solving conflicts, to place emphasis on relationships rather than on formal structures; that consensus building is a crucial prerequisite, and that there is a general distrust for "Western" solutions.

ASEAN member countries have proved that they are capable of co-existing in peace and harmony since the association's establishment. Although regional disputes and differences have not been solved, ASEAN countries have learned in the process to diffuse or abate their conflicts and not to exploit it for their own interests at the cost of the Association. Hence, ASEAN's existence is a security guarantee for peaceful and harmonious bilateral relations. It has become much more difficult to visualize an open conflict between two or more ASEAN member states. Sub-regional relations have developed an ASEAN spirit, which strongly supports ASEAN regionalism. Despite the legal character of the Treaty, ASEAN's preference is for informal approaches in solving conflicts, to place emphasis on relationships rather than on formal structures; that consensus building is a crucial prerequisite, and that there is a general distrust for "Western" solutions.

On 15 December 1987 ASEAN made amendments to paragraph 14 and 18 of the Treaty of Amity and Cooperation to enable Papua New Guinea to become a party and by default the "States outside Southeast Asia." Countries outside Southeast Asia can also become a party to the Treaty "by consent of all the States in Southeast Asia which are signatories to this Treaty". (*Manila Protocol*)

ASEAN had raised the Treaty and its 1987 and 1998 amendments as the basis for a system of preventive diplomacy in the wider East Asia region. The ASEAN Regional Forum (ASEAN Security Forum) is a clear example of internationalizing ASEAN's primary security concerns in which the constructive engagement of external powers is being solicited to serve the vital interests of the Southeast Asian countries. Non-Southeast-Asian countries can only sit in the High Council "in cases of disputes to which it is directly involved". This is a sharpening of Article 16 of the Treaty, which allows States outside the region to involve themselves legitimately in Southeast Asian affairs. Earlier the essence of the Treaty has also been applied to the South China Sea. The Declaration of Principles of the South China Sea signed by the ASEAN Foreign Ministers in Manila (July 1992) persuades all parties to "apply the principles of the Treaty of Amity and Cooperation as a base for formulating

a code of international conduct in the South China Sea" and "invite all parties to abide by the Declaration of Principles." This declaration of principles for the South China Sea was reiterated in the Declaration of the ASEAN Concord II and its Programme of Action.

Southeast Asia as a Nuclear Weapon-Free Zone

The Treaty of a Southeast Asia Nuclear Weapon-Free Zone the Treaty of Amity and Cooperation in Southeast Asia are key component of ZOPFAN and will thus contribute towards the strengthening of the security of member states and as a corollary towards enhancing international peace and security. They are the only legal products ASEAN signed with a view to regional security. All other ASEAN agreements do not have a legal character. The principles and objectives for nuclear non-proliferation which were adopted at the 1995 Review and Extension Conference of the parties to the NPT and the cooperation of all nuclear-weapon states are important for the maximum effectiveness of the zone and its relevant protocols. The SEANWFZ treaty came into force on 27 March 1997.

It would thus contribute towards the strengthening of the security of member states and as a corollary towards enhancing international peace

and security. The principles and objectives for nuclear non-proliferation which were adopted at the 1995 Review and Extension Conference of the parties to the NPT and the cooperation of all nuclear-weapon states are important for the maximum effectiveness of the zone and its relevant protocols.

ASEAN has put in place the SEANWFZ Commission and the Executive Committee of the commission to oversee implementation of the treaty's provisions and ensure compliance with them. The association adopted procedural and financial rules governing the work of the treaty bodies at the second meeting of the SEANWFZ Commission in Bangkok in July 2000.

Reactivation of ZOPFAN

The reactivation of ZOPFAN at the 26th AMM in Singapore (1993) has resulted in a *Programme of Action for ZOPFAN*. The Programme comprises certain major elements, such as strengthening the bilateral and tri-lateral networks among ASEAN countries and other Southeast Asian countries; the development of a code of conduct which binds Southeast Asian countries and those contiguous to the region through the Treaty of Amity and Cooperation; to develop a politico-security blue-print to enable friendly countries to assist in the build-up of

peace, stability and prosperity in South-east Asia, and the development of a framework to achieve, sustain and build up peace in accordance with the Charter of the United Nations.

The core elements of ZOPFAN are the strategy of national and regional resilience. They are, particularly for Indonesia, the most pertinent responses towards challenges both from inside the region and beyond. National resilience ensures internal security and stability, while regional resilience ensures regional security and stability. Their purposes are to ensure the region's security from external interference as well. Hence, for Indonesia, and the other ASEAN members, ZOPFAN, the Treaty of Amity and Cooperation, its legal instrument, and the SEANWFZ, its military component, are the major pillars of the ASEAN and Southeast Asian security architecture. Their immediate realization is requisite in order to provide the region with indigenous security architecture "within which the legitimate interests of regional and great powers alike can be safeguarded."¹⁵

The concept of ZOPFAN must, since the early 1990s, after the demise of the Cold War and the emergence of multiple threats and challenges, be equip-

¹⁵Confidence Building Measures in Southeast Asia, *ASEAN-ISIS Memorandum* No. 5, December 1993, 11.

ped with a more comprehensive security concept and strategy comprising non-conventional security issues, such as human rights, sustainable development and the protection of the environment, narcotraffic, trafficking of women and children, human smuggling, and so forth. It should thus incorporate human security and development. Human security encompasses a wide spectrum of people's rights, including the right to obtain information, to have good governance, to participate in democracy, and to have equal opportunity to develop. At the minimum, human security is understood to mean the freedom from fear and freedom from want. At the highest level, it calls for political, social and economic environments that guarantee the dignity and the rights of the individual and provide the framework for unrestricted development of the individual's potentials. Thus, in enhancing human security, there has to be a fundamental attitude change on the part of governments, especially where the dominant perception is that they should primarily play the roles as guardians of their states' sovereignty and security.

New concepts and strategies to allow their constructive involvement in the more complex issues of security would enable ASEAN to shape and set the regional security agenda required to face an uncertain future and design and nurture a "conflict-free"

future for Southeast and the adjacent regions in the wider Asia-Pacific region. The great powers will have to be invited to play a constructive role in the build-up of the new security architecture. Yet their contribution to the new security build-up will have to be sought on ASEAN terms.

The ASEAN Regional Forum

A theoretical framework for security and stability in the Southeast Asia and the broader region has been devised. It retained the core elements of national and regional resilience but should be expanded to contain and deepen cooperation in the economic and social fields, as equally major security elements between ASEAN and its major dialogue partners. It contained long-range efforts to deal with intractable global problems: the building of a more effective regional or even international collective-security capability (such as a UN peace-keeping force and a strengthened international court of justice); the reduction and control of armaments; and such new issues of security and stability, as the discipline of population growth, the enhancement of human rights, the protection of the environment, the alleviation of poverty, disease and illiteracy, and the establishment of constructive trade and investment policies and their facilitation. These fundamental long-range considerations of a strong economy and a healthy society

are the prerequisites for a strong regional organization in Southeast Asia as part of the bigger Asia Pacific area and of the globe.

The forum towards such an enterprise has been made available since the 26th AMM in Singapore in 1993 in the form of the ASEAN Regional Forum. It started as an "armchair discussion" rather than a full-fledged formal meeting on security and stability issues in the wider region. It has gone beyond the stage of getting to know one another to develop confidence and trust or a certain level of comfort among the various parties. It developed into a forum for discussing the establishment of a new order in the region in this post Cold War era.

The ASEAN members of the ARF want it to develop in an evolutionary and non-legalistic manner rather than in a more structured fashion. It should move evolutionary in three stages. It should start with the promotion of confidence building, then the development of preventive diplomacy and in the end, elaboration of approaches to conflicts, although their achievements are not designed in strict time series.

The ARF process is now, so it was agreed in Brunei Darussalam on 1 August 1995, in its first phase, the phase of confidence building. The process of developing preventive diplomacy can proceed in tandem with

phase one, while the elaboration of approaches to conflicts is the eventual goal of the ARF process. The decision-making process in the ARF will remain to be made through consensus after careful and extensive consultations among its 19 members.

THE NON-CONVENTIONAL SECURITY ISSUES

On 5 November 2001 ASEAN leaders in their *Joint Action to Counter Terrorism* unequivocally condemned the terrorist attacks of 11 September as an "attack against humanity and an assault on all of us." They viewed terrorism as a "direct challenge to the attainment of peace, progress and prosperity of ASEAN and the realization of ASEAN Vision 2020," while rejecting "any attempt to link terrorism with any religion or race." ASEAN was further committed to "counter, prevent and suppress all forms of terrorist acts in accordance with the Charter of the United Nations." All joint efforts to combat terrorism at the regional level should consider "joint practical counter-terrorism measures in line with specific circumstances in the region and in each member country." The leaders also acknowledged the ASEAN regional framework for fighting transnational crime and its ASEAN Plan of Action to prevent and control transnational crime. ASEAN's leaders issued a nine point action plan ranging from streng-

thening national mechanisms, deepen cooperation among front-line law enforcement agencies, enhancing information/intelligence exchange, regional capacity building, all of them to combat terrorism in the region strictly under the UN umbrella.

A special ASEAN Ministerial Meeting on Transnational Crime (AMMTC) on terrorism, which was held in 20-21 May 2002 in Kuala Lumpur, was also a follow-up on the UN call to enhance coordination of national, sub-regional and international efforts as part of a global response to this serious challenge and threat to international security. The fight against terrorism in the region is integrated into the complex of the fight against transnational organized crime. The distinction between terrorism as a political crime and any other form of organized crime as an economic one is conveniently ignored.

ASEAN's Seventh Summit in Brunei Darussalam tasked the ASEAN Ministerial Meeting on Transnational Crime (AMMTC) comprising the Ministers of Home Affairs of the member countries to continue to focus, next to transnational crime, on "terrorism and deal effectively with the issue at all levels and endorse the convening of an Ad Hoc Experts Group Meeting and special sessions of the Senior Officials meeting of Transnational Crime (SOMTC) and AMMTC focusing on terrorism." Non-conventional

threats seem to the ASEAN Heads of Governments a task of the AMMCT rather than that of the Foreign Ministers. However, with the introduction of terrorism in the ASEAN Regional Forum, Foreign Ministers will have to deal with that issue in that forum. It will thus be a coordination problem in fighting terrorism in ASEAN.

The ASEAN Ministers of the Interior/Home Affairs convened for the first time in Manila (18-20 December 1997) to cooperate in combating transnational organized crime, including terrorism. They decided, and this is important in the ASEAN context, that they would be the highest policy-making body on ASEAN cooperation in combating transnational crime and convene once in every two years to coordinate activities of relevant ASEAN bodies, such as the ASEAN Senior Officials on Drug Matters, ASEAN Chiefs of National Police (ASEANOPOL), ASEAN Directors-General of Customs, and ASEAN Directors-General of Immigration and Heads of Consular Division, Ministry of Foreign Affairs. They would also cooperate and coordinate on matters of transnational crime with other ASEAN bodies such as the ASEAN Senior Law Officials' Meeting and the ASEAN Attorney Generals' Meeting. They referred, however, to the 29th ASEAN Ministerial Meeting (AMM) in Jakarta in July 1996 on the need to focus attention on such issues

as narcotics, economic crimes, including money laundering, environment and illegal migration which transcend borders and affect the lives of the people in the region, and the urgent need to manage such transnational issues so that they would not affect the long term viability of ASEAN and its individual member nations; to the First Informal ASEAN Summit in November 1996 in Jakarta to request the relevant ASEAN bodies to study the possibility of regional cooperation on criminal matters, including extradition; to the decision of the 30th AMM in Kuala Lumpur in July 1997 which stressed the need for sustained cooperation in addressing transnational concerns including the fight against terrorism, trafficking in people, illicit drugs and arms and piracy; and to the agreement among Heads of Government during the Second Informal Summit in December 1997 in Kuala Lumpur to take firm and stern measures to combat such crimes as drug trafficking and trafficking of women and children, as well as other transnational crime.

ASEAN's collective fight against terrorism and other transnational crime would, it was frequently argued, be seriously constrained by the strong emphasis AMMTC placed on the principle that "the sovereignty, territorial integrity and domestic laws" of each member country should be "respected and upheld in undertaking the

fight against terrorism" and other crimes. Terrorism and other transnational crimes never recognized national borders and territories; their reach is global. The work programme of exchange of information and development of bilateral and multilateral legal arrangements to facilitate apprehension, enhancing cooperation and coordination in law enforcement and intelligence sharing, and development of regional training programmes, strongly emanated from the sovereignty and territorial principles. The ASEAN extradition treaty, which was already agreed upon in 1976 in Bali was not highlighted in these meetings. In the second Bali Summit the issue of an extradition treaty was again raised as we will see below.

AGREEMENT ON INFORMATION EXCHANGE AND ESTABLISHMENT OF COMMUNICATION PROCEDURES

Meanwhile, the foreign ministers of Indonesia, Malaysia and the Philippines Agreement initiated their own fight against terrorism and transnational organized crime. On 7 May 2002 they signed the Information Exchange and Establishment of Communication Procedures to counter terrorism and crush a militant network allegedly bent on turning all three countries into a single Islamic state went. Dr. Mahathir singled out *Kumpulan Mujahidin Malaysia* as the organization

to overthrow his government in its effort to set up the Islamic state in the three countries. So was the Jemaah Islamyah in the three countries accused of taking the initiative in the creation of that state.

The agreement extends beyond terrorism into other areas of transnational organized crime: money laundering, smuggling, piracy, hijacking, all the way to drug trafficking, marine pollution, and arms trafficking. All these forms of crime were carefully defined in the meeting and put in the agreement. This made the measures to fight terrorism and other forms of crime in the three countries a little more advanced in comparison to the agreement of the special AMMTC since this forum did not formulate the various crimes. Exchange of information, strengthening national and sub-regional capabilities to manage border and security incidents, establishing mechanisms for immediate response and assistance, sharing airline passenger lists, providing access to each other's computerized fingerprints databank, sharing blacklists and undertaking joint efforts in combating terrorism were the building blocks for the cooperative mechanism in this effort.

The three initiating countries extended invitations to the other ASEAN member countries to join. Singapore refused, but Thailand, Cambodia and

Brunei Darussalam joined them. The other ASEAN members have not indicated they would join.

The sustained cooperation in addressing the combat against terrorism and transnational organized crime indicate that ASEAN's fight is conducted on intensive exchange of information rather than in pursuing terrorists and other criminals across national borders. The emphasis on mutual respect for the independence, sovereignty, equality, territorial integrity and national identity of all nations within and without the region will remain ASEAN's credo in regional endeavours to fight transnational crime.

However, terrorism and transnational organized crime are primarily crimes against human beings, a crime against humanity. The principle of non-interference in each other's internal affairs should hence—in the light of the globalization process and the revolutionary developments of information and communication technologies—be interpreted broadly to allow genuine dialogue and cooperation on these specific concerns. This trend requires a new way of thinking by shifting the focus of security from defense of national frontiers to that of human beings. This approach does not suggest that the defense of national sovereignty has become less important. Respect for national sovereignty and territorial integrity is vital to most Asian countries considering their his-

torical circumstances. The defense of human security does not imply to set aside both national sovereignty and territorial integrity. It only means that national frontiers are not the absolute defense, that the international community—in line with the amendment of the UN's security concept—should take action to halt the gravest crimes against humanity within a country's borders. The concepts of "constructive intervention", "flexible engagement", "enhanced interaction" have been introduced in ASEAN as early as 1998 since the dividing line between domestic and external affairs of transnational issues have become blurred.

THE ASEAN SECURITY COMMUNITY

Beginning in 2002, ASEAN leaders initiated new programmes which were submitted at the ASEAN Summit in Bali in 2003 to further consolidate and enhance ASEAN's achievements "as a dynamic, resilient, and cohesive regional association for the well being of its member states and people as well as the need to further strengthen the Association's guidelines in achieving a more coherent and clearer path for cooperation between and among them," where they issued the second Declaration of ASEAN Concord. This concord stipulates the establishment of an ASEAN Community comprising three sub-communities, each

for political and security cooperation (proposed by Indonesia), for economic cooperation (proposed by Singapore) and socio-cultural cooperation (proposed by the Philippines). These three sub-communities are "closely intertwined and mutually reinforcing for the purpose of ensuring durable peace, stability and shared prosperity in the region."

The essence of this comprehensive community is "to promote regional peace and stability, security, development and prosperity with a view to realizing an ASEAN Community that is open, dynamic and resilient." The hereditary common values are again emphasized, such as the "habit of consultation to discuss political issues." New issues have been submitted which are to "share information on matters of common concern, such as environmental degradation, maritime security cooperation, the enhancement of defense cooperation among ASEAN countries, develop a set of socio-political values and principles." Long-standing disputes among member countries should continue to be settled through "peaceful means." The Treaty of Amity and Cooperation in Southeast Asia (TAC) has been elevated to the key code of conduct to govern relations "between states and a diplomatic instrument for the promotion of peace and stability in the region." The ASEAN Regional Forum shall remain the primary forum to en-

hance "political and security cooperation in the Asia Pacific region, as well as the pivot in building peace and stability in the region." And ASEAN shall have to enhance its role in further advancing the stages of cooperation within the ARF to ensure the security of the Asia Pacific region."¹⁶

Member countries in the second Bali Summit reminded themselves that they shall continue to rely "exclusively on peaceful processes in the settlement of intra-regional differences and regard their security as fundamentally linked to one another and bound by geographic location, common vision and objectives." The ASEAN Security Community (ASC) should refrain from establishing "a defense pact, military alliance" or even have a "joint foreign policy." They should instead continue to "pursue their individual foreign policies and defense arrangements and taking into account the strong interconnections among political, economic and social realities." They should further subscribe "to the principle of comprehensive security as having broad political, economic, social and cultural aspects in consonance with the ASEAN Vision 2020." Member countries should also "exercise their rights to lead their national existence free from outside interference in their internal affairs." The establishment of the ASEAN Security Com-

munity contrasts sharply with the Economic Community the objective of which is to establish "single market and production base" in ASEAN in 2020.

The ASEAN Security Community further stipulates that ASEAN members "shall uphold ASEAN's principles of non-interference, consensus-based decision-making, national and regional resilience, respect for national sovereignty, the renunciation of the threat or the use of force, and peaceful settlement of differences and disputes." The new dimension in ASEAN security cooperation is the maritime issue. Since it is "transboundary" in nature, it should be addressed regionally in a "holistic, integrated and comprehensive manner." Cooperation on maritime issues should contribute to the evolution of the ASC.¹⁷ The basic principles of the ASC do not deviate from the ones of the 1976 Treaty of Amity and Cooperation, despite globalization and the revolutionary developments in information and communication technologies, which substantially lower national frontiers to freeze the gravest crimes against humanity.

The ASEAN political instruments for security cooperation in the region remain valid and should continue to play the pivotal role, but now spelled out more specifically in the area of "confidence building measures, pre-

¹⁶Declaration of ASEAN Concord II (Bali Concord II).

¹⁷*Ibid.*

ventive diplomacy and the approaches to conflict resolution." Typical for ASEAN is the qualification that the endeavour to move forward should continue to be "at a pace comfortable to all." Only now the instruments are also made applicable to the ASEAN Regional Forum, the main forum for regional security. ASEAN should remain the driving force in the ARF, in this wider Asia Pacific security dialogue, and in a new forum to be initiated in December 2005, the East Asia Summit.

The Vientiane Action Programme of 2004 (VAP), which replaced the Hanoi Plan of Action and which is to be implemented from 2004 till 2010 stipulated that the ASC should be pursued along five strategic thrusts, which are the further development of political cooperation, the shaping and sharing of norms to further that cooperation, and the three steps in conflict management: conflict prevention, conflict resolution, and post-conflict peace building. The political development and the shaping of norms will be particularly highlighted here.

In the field of political development the understanding and the appreciation of political systems, culture and history are emphasized. They should be fostered through people-to-people contact and non-governmental activities. It is for the first time that ASEAN officially admitted at the highest levels of the role of civil so-

ciety and non-state actors who consist of think tanks, academics and members of the "unofficial" policy community in promoting ASEAN activities. The ASEAN Institutes of Strategic and International Studies (ASEAN-ISIS), for instance, have since their establishment in 1988 recommended to the ASEAN governments the setting up of the ASEAN Regional Forum, the idea of the realization of an ASEAN Free Trade Area (AFTA), and the establishment of human rights mechanisms.¹⁸ The VAP also emphasizes the promotion of human rights and obligations and the free flow of information as specific objectives of the action programme, next to strengthening the rule of law and the legal infrastructure, the civil services and good governance as well as combating corruption.

In the field of shaping and sharing of norms, the development of an ASEAN Charter to meet the challenges of building an ASEAN Community by 2020 has been specifically mentioned. "A charter will allow ASEAN to gain a legal identity and recognition by the international community."¹⁹ ASEAN has never con-

¹⁸See also Mely Cabalero-Anthony, *Regional Security in Southeast Asia. Beyond the ASEAN Way* (Singapore: ISEAS, 2005), 161-162.

¹⁹Statement of Alberto G. Romulo, Secretary of Foreign Affairs of the Philippines on 6 April 2005 on ASEAN Foreign Ministers' Retreat in Cebu, www.dfa.gov.ph, accessed on 25 May 2005.

sidered the importance of an ASEAN Charter until 2003. Proposals had been made before, particularly by the Philippines but they were always dismissed or ignored in ASEAN meetings.

The ASEAN Security Community (ASC) is envisaged to bring ASEAN's political and security cooperation to a higher plane. It is to ensure that countries in the region live at peace regionally and globally in a "just, democratic, and harmonious environment. ... ASEAN needs to nurture such common political values as democracy and respect for human rights. By doing so, ASEAN would considerably lessen the sources of conflicts—both inter and intra state conflicts." The negotiation process in "shaping and sharing of norms will be a major feature in implementing the ASC concept. It won't be an easy ride for all of us. For it will mean relinquishing a certain degree of national sovereignty. For it will mean adjusting national standards to common regional standards. After all, we are building a community."²⁰ "We have to take human rights promotion more vigorously. It is not at all because of external pressures. Rather, it is because we do need to protect our own peoples' rights and dignity." The problem the ministers

of foreign affairs faces is "how to make the urgency of this matter really understood by our leaders."

Next in the context of norms is to encourage non-ASEAN countries to accede to TAC. India and China became parties to TAC at the Bali Summit in 2003, Pakistan and Japan at the 37th ASEAN Ministerial Meeting on 2 July 2004, and Russia and the Republic of Korea at the 10th ASEAN Summit in Vientiane on 30 November 2004. The accession to TAC by non-ASEAN countries and members of ARF implies that the Treaty has become the official code of conduct in the wider Asia Pacific region. Australia will still have to decide whether it will become party to the Treaty. It is highly improbable that the US will accede to the Treaty. The signing of the protocols to the Southeast Asia Nuclear Weapons Free Zone (SEAN-WFZ) by the nuclear weapons states is also being sought. The conclusion of an ASEAN Mutual Legal Assistance Agreement and an ASEAN convention on counter terrorism is also on the agenda as is the establishment of an ASEAN extradition treaty sought for since 1976, in the Declaration of ASEAN Concord.

Conflict and security management emphasized its three major dimensions: conflict prevention, conflict resolution and post-conflict peace building. Conflict prevention in the ASEAN Security Community should emphasize con-

²⁰Keynote Speech by H.E. Dr. N. Hassan Wirajuda, Minister for Foreign Affairs Republic of Indonesia at the Fourth Workshop on the ASEAN Regional Mechanism on Human Rights, Jakarta, 17 June 2004.

fidence building measures by promotion of "greater transparency and understanding of defence policies and threat perceptions," also through "voluntary briefings on political and security developments in the region." An early warning system should be developed to prevent occurrence and/or escalation of conflicts. The strengthening of the ARF process should also be sought next to combating transnational crimes. Maritime security cooperation should also be promoted particularly to prevent incidents in the Straits of Malacca, the intensity of which has increased.

Conflict resolution and establishing durable peace and security should be conducted by utilizing existing and planned national peacekeeping centres and building on the existing modes of pacific settlement of disputes using national, bilateral and international mechanisms. Conflict resolution should also be supported by joint studies on conflict management and resolution in ASEAN peace research institutes.

Most importantly is particularly the creation of conditions necessary for sustainable peace and preventing the resurgence of conflict. These endeavors should be conducted by strengthening humanitarian assistance in conflict areas, human resources development and capacity building, reducing inter-communal tensions

through educational exchanges and the promotion of a culture of peace.

TOWARDS THE CENTRALITY OF DEMOCRACY AND HUMAN RIGHTS IN THE POLITICAL AND SECURITY PARADIGM

The strong emphasis of ASEAN's Security Community on democracy, development, human rights and fundamental freedoms reflects the drive of the ASEAN member countries to set up common norms and values and an ASEAN Regional Mechanism on Human Rights. Four workshops for such a regional mechanism have been held since 2001. They were co-organized and co-hosted by the foreign ministries and national human rights institutions of Indonesia, the Philippines and Thailand and the working group for an ASEAN Human Rights Mechanism. This required a common effort involving all ASEAN governments, national human rights institutions, parliaments, and civil society groups. And it is the ASEAN Security Community that provides an important conceptual framework for the establishment of such a human rights mechanism with an emphasis on the "promotion and protection of the rights of children, women and migrant workers." These three groups were singled out as they were those sections in society, which are glaringly sidelined in the mainstream activities of ASEAN.

In his keynote speech to the fourth workshop at the fourth workshop on the ASEAN Regional Mechanism on Human Rights in Jakarta in 2004, Indonesia's foreign minister Hassan Wirayuda submitted that "greater respect for, and better protection of, human rights would contribute significantly to the development of ASEAN as a true community of nations. In essence, this process rightfully reminds the ASEAN member countries' governments of what we have officially agreed." The establishment of a human right mechanism in the region would provide a common standard and, thus, a better human rights protection for the people of ASEAN.

Hassan Wirayuda admitted that ASEAN is far behind other regions like Europe, the Americas, and Africa with their regional human rights systems. In Africa, on the basis of the 1981 Charter, "an African Commission on Human and Peoples' Rights was established within the Organization of African Unity—now the African Union—to promote human and peoples' rights and to ensure their protection in Africa." In addition, under the 2000 Constitutive Act of the African Union, it is stated that the Union's objective is to "promote and protect human and peoples' rights under the African Charter and other relevant human rights instruments." Under its Constitutive Act, the African Union also has the right to intervene in a

Member state "in respect of grave circumstances, namely war crimes, genocide and crimes against humanity."

Indonesia has its own experience. We also have included specific provisions on human rights in the amendment of our 1945 Constitution. It was made possible because the process of reform (or we call it "*reformasi*"), which started to roll in 1998, basically stands on three pillars: democratization and good governance, respect for and protection of human rights, and the rule of law. We have learned, the hard way, from the fallacy of thinking that "In the name of economic growth and development, all means were justified."

We have learned that economic growth and development have to be matched by progress in democracy and human rights. Because when we are short of democracy and human rights, we are short of control—for example over corruption or violations against the peoples' rights. We know of course that democracy is not perfect. The key word here is "balance." It is a balance that we are now striking, through the ASEAN Community concept. And an ASEAN regional mechanism on human rights will be an important feature.

With the strong emphasis on democracy and human rights, Hassan Wirayuda is apparently shifting the emphasis in comprehensive security from *regime security* to *human se-*

curity. Without human security there can be no national security. This is what Kofi Annan, Secretary General of the United Nations, tried to convey with his new concept of national security:

Human security can no longer be understood in purely military terms. Rather, it must encompass economic development, social justice, environmental protection, democratization, disarmament, and respect for human rights and the rule of law, ... good governance, access to education and healthcare and ensuring that each individual has opportunities and choices to fulfill his or her potential. Every step in this direction is also a step towards reducing poverty, achieving economic growth and preventing conflict. ... These are the interrelated building blocks of human—and therefore national—security.”²¹

For Indonesia's foreign minister and his staff, democracy and human security are decisive factors in national security in this globalized world, and as such the pursuit of human security in ASEAN will simultaneously ensure the life of the ASEAN peoples. He realizes that his proposals will make some of his colleagues ill at ease. "It

is reasonable if some of us feel a bit uncomfortable with the notion of an ASEAN-wide human rights mechanism." That is the reason why our cooperation in this field should be approached on a step-by-step basis.

We may start from establishing a network among the mechanisms already existing in some countries. We may already embark upon cooperation in education and public awareness. We may also converge on such immediate problems as the protection of women, children, people with disabilities, and migrant workers.

But, at the end of the day, a regional mechanism would provide a common standard and, thus, a better human rights protection for our people.

Now that ASEAN has decided on establishing an ASEAN Security Community, it is high time for ASEAN to work towards the establishment of an ASEAN human rights mechanism how uncomfortable it may for many in the region. The issue of national sovereignty will certainly play an important role, but ASEAN member countries will have to relinquish certain degrees of that sovereignty. And this would certainly be a very hard bargain, particularly since it is emphasized in the decision on establishing the ASEAN Security Community that member countries insist on "respect for national sovereignty" being cherished. However, ASEAN is building a community, and sacrifices will have to be made. That was what Mr. Rajaratnam, Singa-

²¹Kofi Annan, "Secretary-General Salutes International Workshop on Human Security in Mongolia." Two-Day Session in Ulaanbaatar, 8-10 May 2000. Press Release SG/SM/7382. <http://www.un.org/News/Press/docs/2000/20000508.sgsm7382.doc.html> - 08/27/01; Kofi Annan. "Towards a Culture of Peace."

pore's minister of foreign affairs reminded his colleagues at ASEAN's establishment.

CONCLUSION

ASEAN's establishment was from the very beginning a search for security. First, it is a quest for reconciliation of intra-regional strife in the form of border and territorial disputes, ethnic conflicts, religious prejudices and particularly the fear of smaller states of the bigger states. Second, is to manage those conflicts, prejudices and fear and create a regional order in Southeast Asia. Third, and this is the core of the efforts in the quest for security, and that is to speed up economic growth, social progress, as the founding fathers were convinced that economic and social development and peace and stability were tightly connected. Fourth is that on the basis of the three quests, ASEAN should ensure that their stability and security is free from external interference in order that they preserve their national identities. In this context, all foreign bases should be of a temporary nature only and not to be used to subvert the sovereignty of any member state. Hence, from the very beginning ASEAN was created to manage conflicts, security and stability in the region. National and regional resilience were acknowledged as autochthonous security doctrines which were first posited in the Bali Concord of 1976.

In the process, as a consequence of the emergent strategic configuration in the East Asia region towards the end of and after the Cold War, new policies on security guarantees were formulated, the Zone of Peace, Freedom and Neutrality, to anticipate the US withdrawal from Vietnam, and its legal instrument, the Treaty of Amity and Cooperation in Southeast Asia, a code of political and security conduct exclusively for Southeast Asian countries only. Later, in 1987) it was expanded to include non-Southeast Asian countries, starting with Papua Niu Gini. India and China, Pakistan and Japan, and Russia and the Republic of Korea have now accessed the Treaty. The Southeast Asia Nuclear Weapon Free Zone was designed to invite the nuclear weapon states to acknowledge Southeast Asia as such a zone.

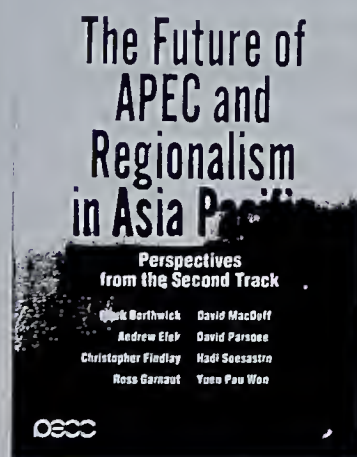
The terrorist attack on the New York World Trade Center set in a series of initiatives to fight international terrorism and transnational organized crime. ASEAN created two instruments to manage the fight against terrorism and transnational organized crime, the ASEAN Ministerial Meeting on Transnational Crime and the Information Exchange and Establishment of Communication Procedures initiated by the foreign ministers of Indonesia, Malaysia and the Philippines.

The ASEAN Security Community is to comprehensively package the

management of conflicts and security in an agreement as part of an overall ASEAN Community to materialize in 2020, complete with security norms to which non-ASEAN countries considered to be critical for ASEAN's security were persuaded to accede. The current trend is that security considerations and initiatives in ASEAN

should primarily focus on human rights and democracy, on human security. The primary focus of security concerns should hence be focused on human security rather than exclusively on regime security and which should become the basis for national and regional security, for national and regional resilience.

THE FUTURE OF APEC AND REGIONALISM IN ASIA PACIFIC: PERSPECTIVES FROM THE SECOND TRACK



Published by: Centre for Strategic and International Studies (CSIS), Jakarta.

This book focuses on Asia-Pacific economic cooperation. Over the last 25 years the phenomenal economic growth and development brought about by the wave of globalization have encouraged the emergence of trans-Pacific relations in the form of Open Regionalism. To achieve such relations requires APEC's real progress.

In 2005 APEC has reviewed its agenda, implementation modalities, and institutional structure with a view to reinvigorate the community building process in the Asia Pacific. The studies and discussions undertaken by PECC over the years have consistently addressed those issues and challenges.

This compilation contains 7 papers discussing some of the most pressing issues in trans-Pacific cooperation today. It attempts to answer questions such as: What will be the organizing principal behind trans-Pacific cooperation?; Who will be the members of that cooperation?; and, Will it matter either more or even less? This book is hoped to be the first step leading to a region-wide discussion on the future of trans-Pacific relations.

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Coastal Shrimp Culture in Bangladesh: Economic, Social and Environmental Implications

Mohammad A.T. Chowdhury, Md. Shahadat Hossain,
and Md. Muhibbullah

INTRODUCTION

Over the last three decades, shrimp culture has been an increasingly important alternative to ocean caught shrimp. The global production of cultured shrimp had grown rapidly from 90,000 tons (t) in 1980 to an estimated 565,000 t in 1993 (Phillips *et. al.* 1993). By the late 1990s, regularly a quarter of the world's 2.5 million t of shrimp came from farms, up from just one-twentieth in the early 1980s (Goss 2000).

In response to expanding global demand, coastal shrimp culture has acquired a highly contested status in Bangladesh (BCAS 2001). Like other Asian countries, such as India, Indonesia and Thailand, Bangladesh has been gradually emerging as an important producer of cultured shrimp. The country produces about 4% of the annual global shrimp production along its coastal belt (Hagler 1997).

Although shrimp culture has had a significant impact on the economy of Bangladesh, it has had high environmental costs too. The farmed shrimp industry (which represents a substantial component of the aquaculture) has often been criticized for its environmental damage. With the expansion of brackish-water shrimp culture the environmental impact has become a major issue (Ong 1982; Chua *et. al.* 1989; Pullin 1989; Saclause 1989). Concerned NGOs, whether from the North or the South, have often campaigned against the industry's negative impacts upon mangrove systems, its salinization of waterways and its transformation of coastal ecology. It has also set in motion social disruption like rising domestic inequalities in income. All these changes have serious implications for the sustainability of shrimp culture and local community in the coastal areas. The debate has become very polarized

now between those who support it, and those who are opposed to it.

The main objective of this paper is, however, not to find a resolution to the conflict, but to show that there is a lot more to be gained by looking closely at the economic, social and environmental implications of the expansion of coastal shrimp culture, and its future in Bangladesh. The ultimate thrust being to highlight some of the key issues that may in the long run determine whether it is indeed possible for Bangladesh to meet the international market, environmental and social challenges of coastal shrimp culture. The consequences are of course huge: can the sector thrive and continue to benefit the hundreds of thousands of people who rely on this multi-million dollar industry for their living.

This paper is divided into four sections. It begins with the historical background of coastal shrimp culture in Bangladesh. The following section gives an overview of the state of coastal shrimp culture in the country focusing on physical and economic factors, culture seasons, major cultured species and the supply chain. It also highlights existing farming systems and technology and identifies major components of the sector such as shrimp farms (including productions, yields, trends and recent developments), hatcheries, feed mills and processing plants with reference to their state, growth and linkages. The fourth

section assesses relevant issues for sustainable development including economic, social and environmental implications. The final section concludes the paper and sets a number of policy recommendation for government consideration and action.

HISTORICAL BACKGROUND

Shrimp culture in the coastal areas of Bangladesh is relatively a recent phenomenon but shrimp farming in '*bheries*', '*ghers*' and '*ghonas*' is an old traditional practice. In the early 1960s, the government constructed a large number of coastal embankments to protect agricultural land in the coastal areas from tidal waves and saline water intrusion. This process brought an end to traditional shrimp aquaculture in these areas (DDP 1985).

The beginning of the present coastal shrimp culture dates back to the late 1960s when a number of fish processing plants were set up in Khulna and Cox's Bazar regions. At this time, poldering along the south-west coast of Bangladesh made a suitable condition to initiate and stimulate shrimp production on a commercial basis. By 1970, Bangladesh entered into the international shrimp market for export. Since the 1970s, strong international market demand and high prices for product have encouraged farmers to resume shrimp farming in polders within the embankment areas at large scale. Equally

important was the fact that it was no longer financially viable to cultivate rice because the polders had become waterlogged due to poor drainage. These two factors together provided a catalyst to the process of accelerated brackish-water shrimp culture in the country (Karim 1986).

A big boost in production and export of shrimp was witnessed in the mid-seventies due to excessive demand from USA, European Union, Japan and some middle-east countries. From the 1980s, intensification of mono-type coastal shrimp culture started

to expand rapidly in the mangrove and polder areas, particularly in the south-west (greater Khulna-Satkhira) region and gradually moving to the south-east (greater Chittagong-Cox's Bazar) regions (Mahmood 1986; Chaudhury, *et al.* 1990; Khan & Hossain 1996; Figure 1). Under the Second Five Year Plan (1980-1985), the government of Bangladesh recognized shrimp farming as an important industry, and adopted the measures necessary for increased shrimp production (Haque 1994).

THE STATE OF COASTAL SHRIMP CULTURE

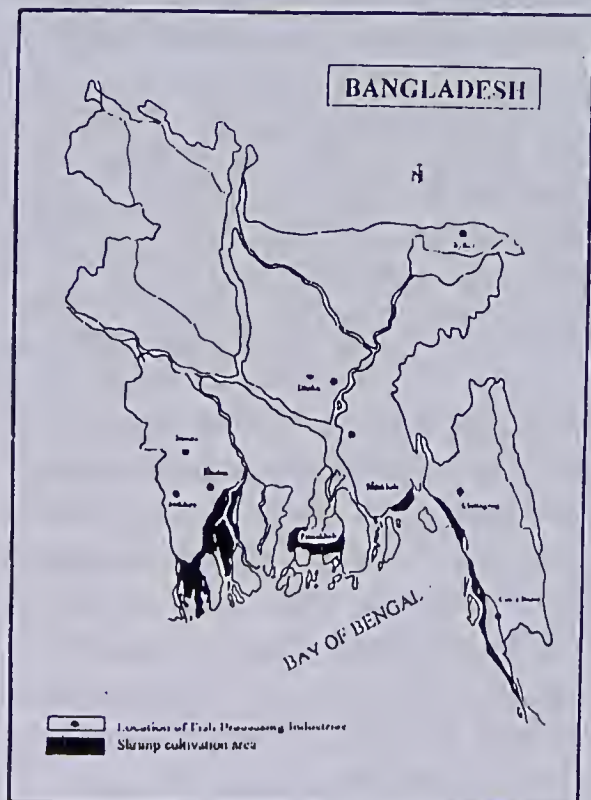
Factors

Shrimp culture has immense potentiality in Bangladesh. The country enjoys an advantageous natural setting for coastal shrimp farming. Prevalence of tropical maritime climate and some other favourable physical factors such as soil, water, vast flood plain, long coastal belt subjected to spring tidal influence and local cultural heritage are especially suitable for brackish-water shrimp production. Moreover, the water bodies in the low-lying mangrove areas of greater Khulna-Satkhira and Cox's Bazar regions are excellent hubs for shrimp-fries.

Being situated at the apex of the Bay of Bengal, the country is fortunate to have a vast coastal belt of more than 36,400 square kilometers (km).

Figure 1

SHRIMP AREA OF BANGLADESH



Source: Khan and Hussain, 1996

With her unique 710 km long coastline, Bangladesh is blessed with about 2.5 million hectares (ha) of brackish-water area, of which about 0.25 million ha have a good potential for coastal aquaculture. Out of that about 0.13 million ha is already under shrimp culture, producing about 50% of the country's total annual output (Ahmed 1995). Among other factors, coastal shrimp culture in Bangladesh has also developed because of the relative cheapness of coastal land, abundant supply of local labours at low-wage, the poor regulatory frameworks governing land-use and title, the eagerness of local and foreign elites to profit and the seemingly insatiable desire for shrimp among consumers in developed countries.

Systems and Technology: Cultured Species

Among several species available in the coastal regions of Bangladesh, the main cultured species is the tiger shrimp (locally known as *Bagda chingri*) of which the technical name is *Penaeus mondon*. It is the preferred species for brackish-water culture and attracts a very high price in international markets. In Bangladesh, *Penaeus mondon* comprises 60% of farmed shrimp production, followed by the giant freshwater prawn, *Macrobrachium rosenbergii* (locally known as *Galda chingri*) which accounts for about 25% of production (Rosenberry 1995;

Ahmed 1996). The shrimp farmers mostly rely on wild shrimp stock as there are only a few hatcheries in Bangladesh with limited production capacity (Hussain 1994; Karim 1995).

Culture Season

In the south-western coastal region of Bangladesh (Khulna-Satkhira) the cropping pattern is adapted for brackish-water shrimp culture in dry months (January-June), followed by transplanted Aman rice during July through December. In some areas of the region, shrimp farming is characterized by monoculture. In the south-eastern coastal region (i.e., Chittagong-Cox's Bazar) shrimp are grown from May to November and for rest of the year, the land is used for salt production. In some parts of the south-eastern tidal area, rice alternate with shrimp and fish production (ESCAP 1988; Al-lauddin & Tisdell 1996).

Culture Methods

Presently, four types of shrimp culture viz. traditional, extensive, semi-intensive and intensive methods are being practiced in the coastal areas of Bangladesh.

In traditional culture system, wild fries are trapped in an impoundment during tidal water intake or are intentionally gathered and directly stocked. An extensive system is very

rudimentary, a slight modification of the traditional method, whereby farmers apply a few components of shrimp farming technologies. It is devoid of manipulation and inputs for feeding or fertilization rests with a low stocking density of shrimp fries between 5,000 to 20,000 postlarvae per ha (Khan and Hossain 1996). An annual yield of 250-1000 kg/ha of shrimp can be obtained through this method (Mazid 1994; Ahmed 1996).

The semi-intensive method requires the incorporation of a nursery phase in the shrimp culture process. Manipulation of the system is initiated with controlled inputs of water exchange and efficient management practices more often with the introduction of wild shrimp postlarvae. Fertilization and supplementary feedings are normally administered with a high stocking density between 40,000 to 80,000 postlarvae/ha (Khan & Hossain 1996). The annual yield is 500-5000 kg/ha with an average of 2000 kg/ha (Rosenberry 1995).

Intensive farming is practiced in small shrimp ponds with high stocking density ranging between 200,000 to 5000,000 postlarvae/ha. This farming method entails pond engineering, pond preparation, heavy feeding, removal of farm waste, water exchange and installation of aeration systems as primary criteria. Rigid control over maintenance of pond ecology in terms

of water quality, salinity, temperature, dissolved Oxygen, pH, Ammonia, Nitrate and Hydrogen Sulphide are strictly applied. This production method is very rare in Bangladesh (Khan & Hossain 1996).

Production Process

In order to understand the production process clearly, a brief description of the four stages in shrimp cultivation is necessary. In the first stage, the fry are either collected in the wild form from the rivers (using one of four principal types of nets: the pull net, push net, bag net and shooting net) or they are produced in hatcheries. In the second stage, the fry are sold to agents in local markets or directly to shrimp farms at occasion. In the third stage, the fry are grown in *ghers* (ponds of brackish-water) in shrimp farms. Finally, all harvested shrimp are collected in depots to prepare them for local consumption or export. The last stage involves de-heading and cleaning the shrimp and subsequent freezing and packaging (Delap and Lugg 1998).

Shrimp Farms and Area

In the coastal region of Bangladesh, shrimp farming is expanding very rapidly. The number and horizontal extent of shrimp farms has doubled between 1984 and 1994. In the year 1983-1984, 'Fisheries Re-

Table 1

UTILIZATION OF LAND UNDER SHRIMP CULTURE AND PRODUCTION OF SHRIMP PER HECTARE, 1983-84 TO 1992-93

Year	No. of Farm	Area under Cultivation (ha)	shrimp Production (MT)	Production (kg/ha)	Average farm size (ha)
1983-84	3171	51812	4386	85.00	16.34
1984-85	3171	64246	7578	118.00	20.26
1985-86	3171	87300	14658	168.00	27.53
1986-87	3778	87300	14773	169.00	23.10
1987-88	3778	94010	17889	190.29	24.88
1988-89	3778	108280	18325	169.23	28.66
1989-90	6581	108280	18624	172.00	16.45
1990-91	6581	108280	19489	180.00	16.45
1991-92	6581	108280	20335	188.00	16.45
1992-93	6581	108280	26000	240.00	16.45

Source: Khan and Hossain, 1996

sources-Survey Systems' recorded a total of 3, 171 shrimp farms over 51,834 ha of land, while in 1993-1994 it grew to 6,581 farms over 108,280 ha of land (Table 1).

According to an estimate, the total area under shrimp farm was expected to rise from 96,048 ha in 1990 to 135,000 ha in 2005 (MPO 1996). As of 1994, there was already about 130,000-138,000 ha of shrimp farms, exceeding the projection for 2005 (DOF 1994). Farms under shrimp cultivation in the coastal areas have grown from only about 20,000 ha in 1980 to about 141,353 ha in 2000, showing an average annual growth of about 6,000 ha or an increase of 30% per year (DOF 2000). Such rapid expansion of shrimp farms has been made possible through the conversion of agricultural lands in the south-west region and mangrove forests in the south-east region.

Production and Yield

In 1983-1984, Bangladesh produced about 4,386 metric tons (mt) of shrimp that rose to around 26,000 mt in 1992-1993. While average farm size remained almost stable over the years (with few exceptions), shrimp production per ha jumped from 85 kg/ha to 240 kg/ha for the same reference years. However, it should be pointed out that shrimp yield per hectare in Bangladesh is still far below compared to many other exporting countries. According to Hagler (1997), while shrimp production per hectare is 2244 kg for Thailand, and 3666.6 kg for Columbia, it is only 240 kg for Bangladesh.

This situation leads many people to be skeptical about the development of shrimp culture and its in Bangladesh. For many, Bangladesh is yet

to enter into a wide intensive or semi-intensive production; the net economic return of shrimp culture would hardly be doubled than rice or timber (Hagler 1997; Islam 2001). This proposition seems apparently true but experience suggests that it is quite possible to bring about a desired change in the production modes of Bangladesh, following the examples of leading shrimp culture nations in the world.

Even in Bangladesh for instance, the first time semi-intensive shrimp culture was established in 1984 named 'Allahwala Scientific Shrimp Farm Ltd.' in Cox's Bazar under the technical leadership of Professor Dr. Yusuf Sharif Ahmed Khan, Institute of Marine Sciences, University of Chittagong. Since then intensification of scientific shrimp culture has opened a new era in Bangladesh. The first production of 1,000 kg ha/year was achieved in 1985. The production increased to 2,000 kg ha/year in 1987. The success brought about a sea change in popular imagination and expectations in the coastal area of Cox's Bazar. Both confidence and conviction grew in the technology for intensification of the culture system. In the Khulna-Satkhira region, some farms had also joined the exclusive club of the handful of shrimp farmers reaping the benefits of vertical growth of the shrimp culture system (Khan & Hossain 1996).

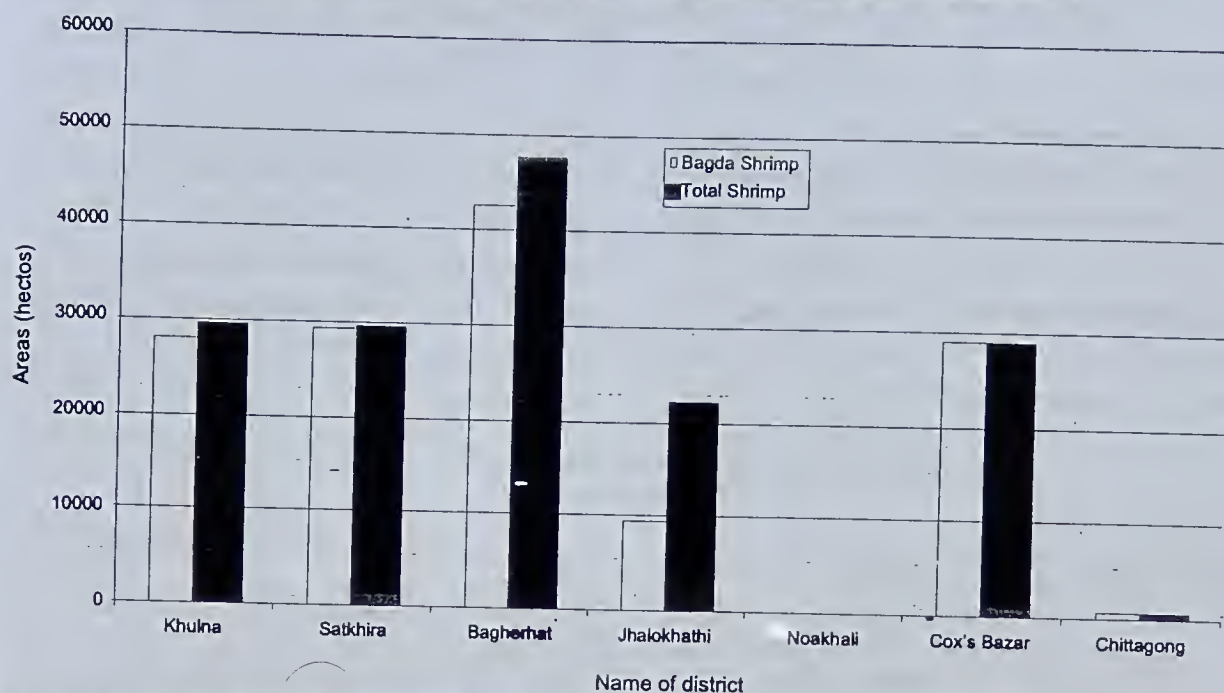
RECENT DEVELOPMENTS IN THE SHRIMP INDUSTRY

One of the major causes of low yield in shrimp production is viral disease. To check the spread of viral disease, technical assistance for the virus-free shrimp farming in the coastal areas of Bangladesh is greatly in need. Successful method of new closed fresh water shrimp cultivation may be adapted and extended to the coastal areas of Bangladesh. The USAID has already launched an Agro-based industries and Technology Development Project (ATDP) in 2003 that provides technical support for the promotion of virus-free shrimp farming in the country.

The method reuses and recycles water rather than discharging it and letting new water in, which greatly reduces risk to local shrimp farms suffering from repeated virus attack. The method can also significantly increase yield over the traditional methods of farming, increasing yields by ten times. By increasing yields ten-fold, it takes enormous pressure off the land and so greatly reduces the need to expand shrimp culture, thereby limiting its impact on the environment. This technology will be crucial for the country, especially as international buyers have imposed certain restrictions on imports from Bangladesh to ensure high-quality and disease-free shrimp, produced in an

Figure 2

AREAS OF DIFFERENT DISTRICTS UNDER SHRIMP FARMING



Source: Fisheries Resource Summary Report, DOE-2000

environmentally and socially sound way (New Shrimp Cultivation 2003).

Leading Shrimp Culture Areas

The leading shrimp culture areas of Bangladesh are the Bagerhat (19%), Khulna (19%) and Satkhira (19%). Districts in the south-west region, Chittagong-Cox's Bazar (31%) Districts in the south-eastern region, and to some extent, Jhalokhati-Pirojpur Districts in the south-central region (Mahmood 1986; Khan & Hossain 1996; Figure 2). Satkhira District has the greatest potential for expansion of shrimp farming in the south-west. Potential for expansion in Cox's Bazar District of

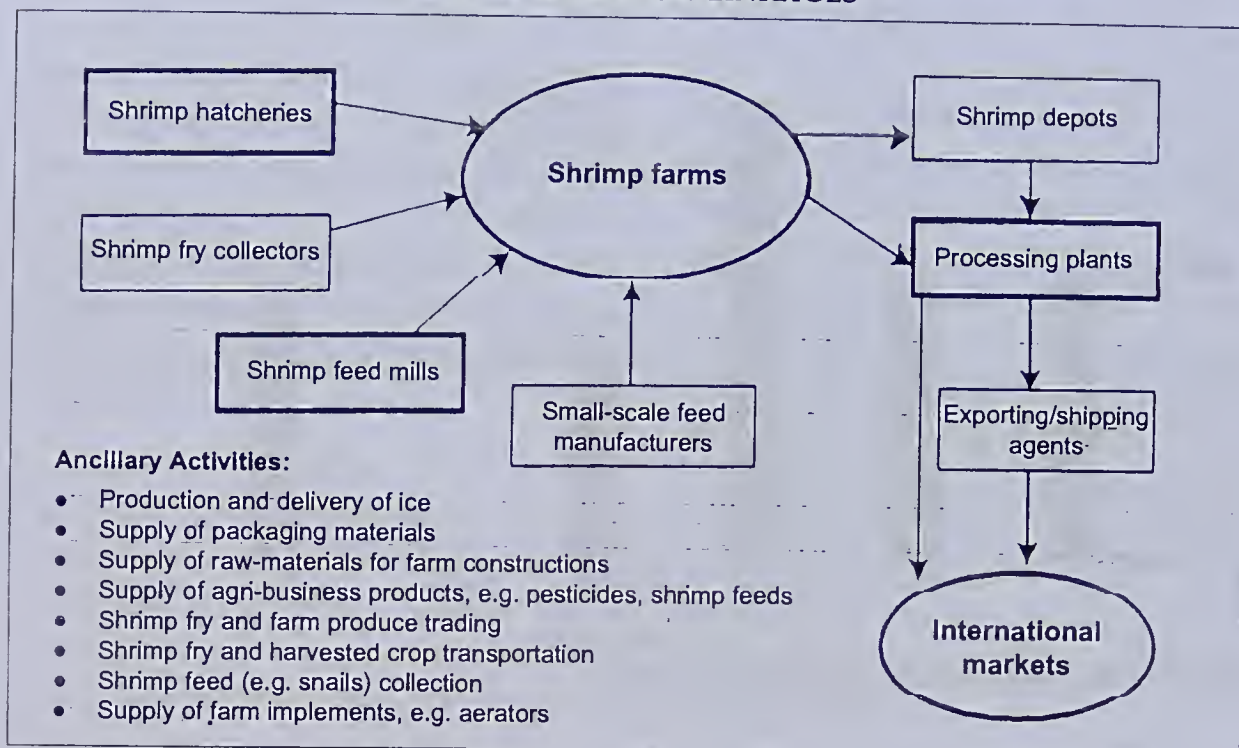
the south-east seems also very high (MPO 1987).

The Shrimp Industry: Linking the Major Components

The four components that comprise the shrimp industry are shrimp farms (ghers), shrimp hatcheries, feed mills and shrimp processing plants (Haque 1994). Figure 3 represents linkages of the components in the shrimp industry. The success of the industry depends very much on the concurrent development of all these components. However, development on the other hand, depends on the availability of modern technology,

Figure 3

**SCHEMATIC DIAGRAM OF BANGLADESH'S SHRIMP INDUSTRY,
SHOWING SECTOR LINKAGES**



Source: Alauddin and Tisdell 1996

management concepts and finance.

Shrimp Hatcheries

About 95% of farm postlarvae stock come from wild fry catch (Ahmed 1996). Since black tiger shrimp (*bagda chingri*- *P. monodon*) is the most targeted species, wild shrimp collectors discard other shrimp and fish species onshore. For every single *bagda* fry collected from the natural habitat, up to 99 other species of shrimp and finfish could be destroyed (Selim 1994). Realizing this, DOF provided plans for construction of about 30 private-sector hatcheries

(Haque 1995). In 1995, there was only 1 *bagda* hatchery (out of 10 shrimp hatcheries; DOF 1995) in Bangladesh producing between 20-30 million postlarvae. The estimated requirement for the 130,000 ha of shrimp farms is about 2.6-3.0 billion postlarvae and the difference is made up from wild fry (Karim 1995; Rahman & Paul 1995).

Shrimp Feed Mills

There is shortage of concentrated shrimp feed in Bangladesh. Only 6,000 t of shrimp and fish feed are produced locally as opposed to a total requirement of more than 100,000 t

(Hossain 1994; Karim 1995; Khan 1995). There is one large feed mill operating in Mymensingh and a few small scale local manufacturer of fish feed, other than the Bangladesh Fisheries Development Corporation's fishmeal plant. Shrimp feed are usually imported from Thailand and Taiwan. In Bangladesh, most farmers rely heavily on natural feed and their farms suffer from lower productivity (Karim & Aftabuzzaman 1995).

Shrimp Processing Plants

There is a gross disparity between the raw material requirements of shrimp processing plants and the supply of farmed shrimp. In 1994, while there was a requirement of 156,000 t of shrimp to utilize the maximum production capacity of 93 plants, the supply was only about 20,000 t, resulting in only 13% utilization of plant capacity (Haque 1994). According to Hussain (1994), the processing industry had a 500 percent overgrowth in capacity as compared to raw material production. He argued that factors such as unplanned credit, liberal attitudes of financial institutions towards this industry, expectations of some stakeholders to make quick fortunes, and easy availability of loans to build plants, were the main reasons for this unpleasant situation.

The shrimp marketing system, which comprises a complex chain of

agents or actors who are involved in the process from the farm gate to the processing plants, is also crucial. Although providing the details of shrimp marketing is beyond the scope of this paper, it is important to mention that the processing plant sub-sector has ultimate command of the marketing system. In other words, this sector has a vertical line of command, which in turn act on international market signals. Most of the people engaged in shrimp marketing are either directly or indirectly employed by this sub-sector (Alauddin & Tisdall 1996).

SHRIMP IN BANGLADESH'S EXPORT TRADE

Shrimps are primarily grown for the international market and coastal shrimp culture has emerged as a major export industry in Bangladesh. The United States of America (USA), Japan and the European Union (EU) are the major destinations of shrimp exports. It grew from nothing in the early 1970s to contribute about 11% of total exports in the mid-1990s (DOF 1995). No other primary product enjoyed such spectacular growth in post-independence Bangladesh.

Export of shrimp was a non-conventional item before the independence of Bangladesh in 1971. It has increased many folds over the last two decades and earned enough foreign exchange to minimize the national

trade deficit. Figure 4 shows the year-wise export of shrimp from Bangladesh at progressive rate. It is evident that shrimp export increased from 6,903 tons to 22,585 tons between 1981-1982 and 1994-1995. Beginning with a nominal foreign exchange earning of US\$3.06 million in 1972-1973, export earning by this sector rose to US\$-197.67 million in 1993-1994 which constituted about 8.76% of the total exports of the country (Khan & Hossain 1996).

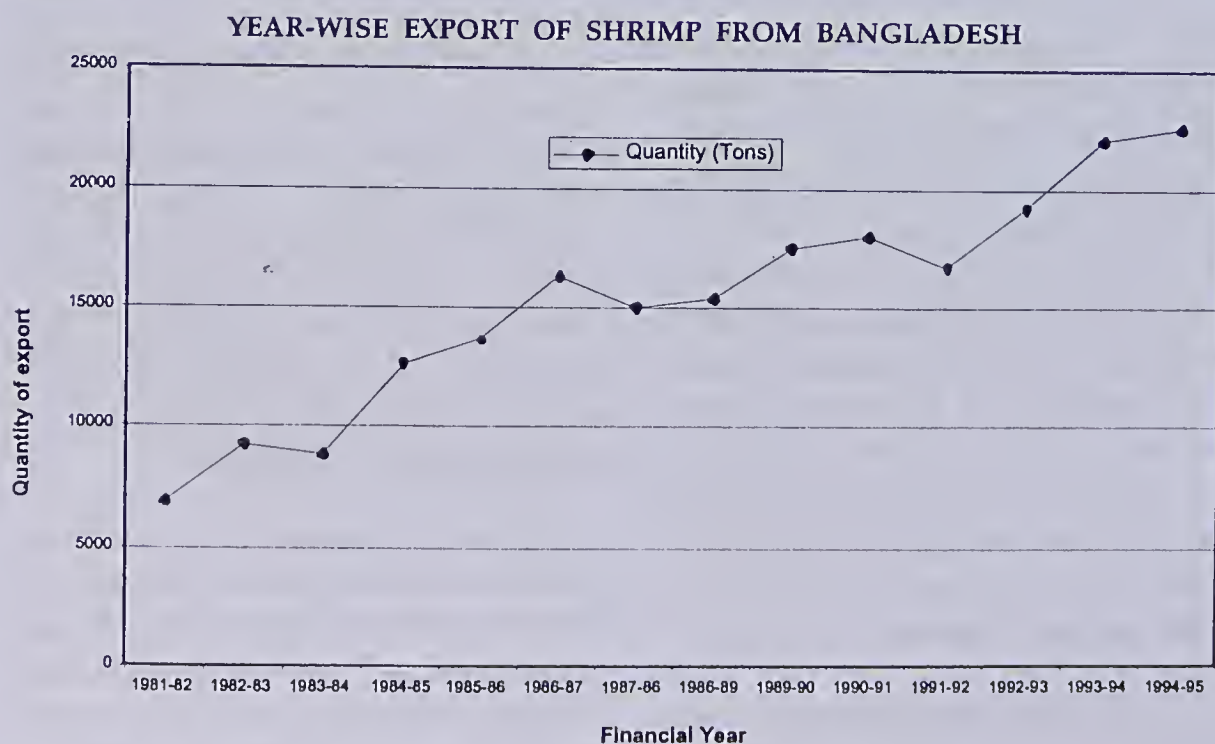
Economic Impact

Employment Creation

Shrimp culture has created a substantial volume of employment in

shrimp farms as well as in ancillary activities (i.e. trade/commerce, processing, marketing and exporting) In 1983, about 4.1 million person days of on-farm employment were created from 51,000 ha of shrimp farms in the coastal areas of Bangladesh. Off-farm employment was 5.9 million person days. Based on projected expansion of shrimp farming areas, on-farm and off-farm labour requirements for 1990 were 22.6 million person days. The corresponding figure for 2005 is expected to be 59.4 million person days). Shrimp industry provides direct employment to over 600,000 people who in turn support over 3.5 million dependents (MPO 1986; Alaudin & Tisdell 1996).

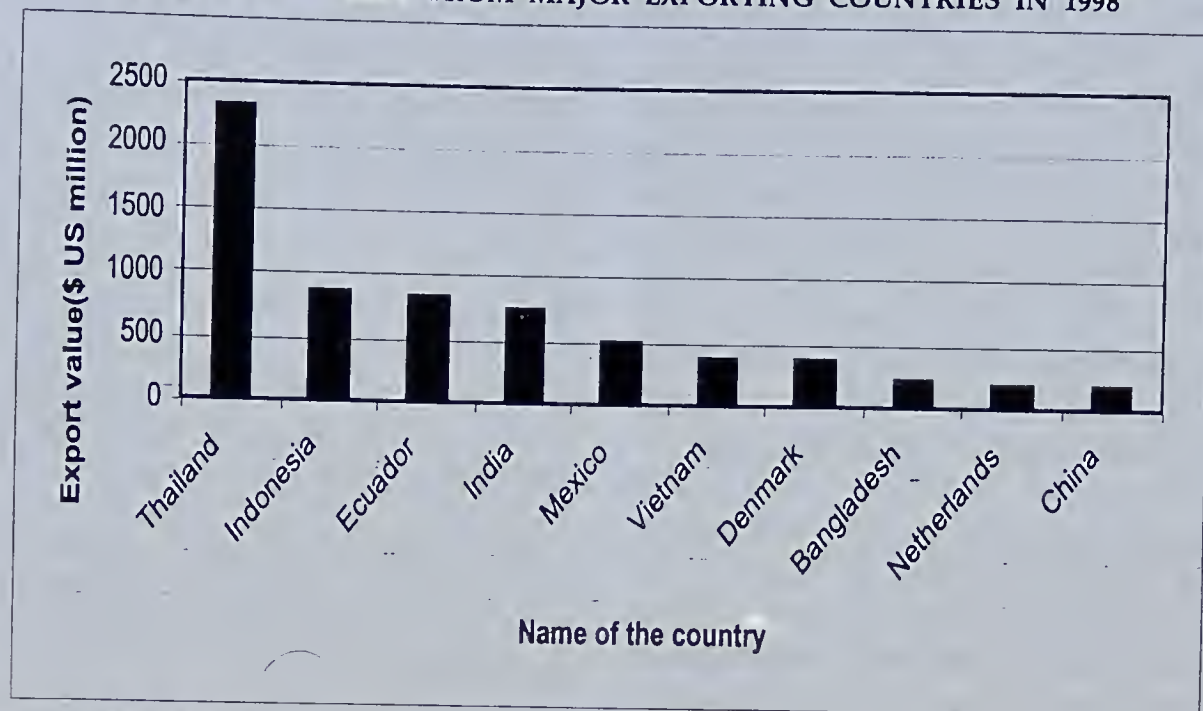
Figure 4



Source: Bangladesh Export Statistics (Khan and Hussain, 1996)

Figure 5

EXPORT OF SHRIMP FROM MAJOR EXPORTING COUNTRIES IN 1998



Source: (BCAS 2001)

Shrimp culture on a commercial basis in the coastal areas of Bangladesh has created a new employment structure. Although shrimp culture itself is less labor intensive than rice cultivation, the overall labor requirement of the shrimp industry (including employment opportunity in ancillary activities) is higher than that of rice production. With this end, it is logical to assume that the shrimp industry would play a pivotal role in absorbing the surplus local labor force in coastal areas. However, in reality the situation does not exactly follow this assumption, since outsider shrimp producers prefer hiring labourers from outside the areas.

Export Income

Although Bangladesh is a tiny player in terms of its share of the international market (4.2% of world productions of farmed shrimp), it is the eighth largest cultured shrimp producer in the world. In 1994, the total value of shrimp export was Tk 13,210 million (US\$ 1= Tk. 60 at current rate), which was about 10% of total export income, and 1.22% of the total Gross Domestic Product (GDP) in the reference year. Since it is a local resource-based industry, 90% of the income can be taken as the value added (Akther 2000). In 1998, the total value of shrimp export from Bangladesh was US\$246.6 million (Figure 5).

While coastal shrimp culture contributes only a small part to the GDP of Bangladesh, its role as foreign exchange earner is of considerable importance. It alone contributes more than 70% to the total export earning from all the agro-based products (Karim 2004). In 1993-1994, shrimp accounted for 57% of exports in the primary goods category (EPBB 1995) and had overtaken the raw jute that was previously the dominant primary export commodity.

Contribution to GDP

Foreign exchange earnings from Bangladesh's fisheries sector depend mainly on shrimp. The contribution of the fisheries sector of Bangladesh to GDP is 6 percent compared to only 1% in India. Shrimp accounts for more than 80% of seafood exports from Bangladesh, which made a quick jump from US\$19 million in 1987/78 to US\$ 246.6 million in 1997/98 (Aquatics Farm Ltd. 1989; BCAS 2001).

In spite of its contribution to the economy especially in earning foreign exchange and employment generation, the emergence and growth of coastal shrimp culture is identified with various social and environmental problems.

Social Impact

Changes in Occupational Structure

Attracted by prospects of high incomes, farmers are bringing more and

more land under coastal shrimp culture. As a result, the land that was previously used for other crops (especially rice in the south-west region) has been brought under shrimp culture. The destruction of mangroves entails the destruction of an ecosystem, which is of great importance for local communities, which of course do not share the profit. Regarding employment generation, shrimp culture due to its industrial nature employs fewer people than agriculture.

Displacement of local communities is common in shrimp producing areas, where politically connected investors turn highly productive complex ecosystems into a single use private domain. The many poor people who depend on mangrove and coastal fisheries for their livelihoods are eventually displaced.

At mangrove areas, people used to collect their fuels from the forest but they are now facing acute crisis of wood fuel shortages. Local fisherman who used to catch fish from the nature either have lost their jobs or were forced to migrate elsewhere to become day labourer. Traditional farm families have also been affected from the geographic spread of shrimp culture; many farmers either have changed their occupation to salt production or small businesses.

Lease Arrangement and Local Power

The rapid growth of shrimp culture over the past two decades or so has not

only altered the indigenous social life but also has given rise to many social interest groups. They are being formed as a result of competition between the traditional shrimp farmers and commercial shrimp producers. Majority of the owners of shrimp projects are not local residents. There is a lack of trust and confidence between the outside owners and the local residents, which often lead to violent conflicts. The local owners of small plots having little or no financial resources can not go for shrimp farming and are obliged to sell or lease out their land.

Outsiders- who are based in urban centers (towns/cities) dominate shrimp farming using rented land and hired labour- control only 20% of all farms, but they occupy 43% of the total shrimp area (DDP 1985). Given the uneven distribution of wealth and power in rural areas, small farmers are often forced to cooperate with large landowners, surrendering their modest share from the return. This process is accelerating the landlessness in rural areas. Outsiders, who do not possess any shrimp ponds, in many cases take control of land by providing capital and forming alliances with local big farmers (ESCAP 1988).

Centre-Periphery Issue

Various social tensions and conflicts are attributable due to the rapid expansion of shrimp culture in the coastal areas. The dominance of out-

siders in shrimp culture is a sensitive issue. Coastal shrimp culture has turned into a commercial proposition by outsiders in response to international demands (Rahman *et. al.* 1995). Outsiders entered into this industry because of its profit potential. They are insensitive to local problems, as they are very powerful who have direct links with government bureaucracy and political parties. This has led the local people to be very critical of shrimp culture. Although the presence of outsiders helps to increase the rent to the benefit of local landowners, the social status of local elites declines. Given their urban origin, economic strength and lobby with administration, the outsiders appear to dominate the local power structure by replacing rural elites. This turn coastal shrimp producers against outsiders as they are only profit-oriented and hardly care about societal and environmental impact of shrimp culture on the coast.

Conflict over land rights is at the core of the conflicts related to coastal shrimp farming. Conflict between traditional paddy cultivation and shrimp culture is a widely debated issue. For example, the land now under shrimp culture, particularly in the south-west region of Bangladesh, was previously used for growing paddy for generations together. Paddy growers who could not change into shrimp farming either leased out or sold their land to the shrimp farms.

They do not get a fair price for their land and also face problems in getting the money for leased out land. In the absence of any institutional regulatory measures such malpractices are quite rampant. Local residents from time to time put up resistance with the support of NGO workers but suffer oppression from the powerful owners of shrimp farms. If this is the case, then the economic benefits for the community of the coastal shrimp farming areas seem to be minimal due to the outflow of profits from the periphery to the center (Alauddin & Tisdell 1996).

Violations of Human Rights

In many cases, shrimp culture has resulted in serious violations of human rights. They include murder, physical injuries, eviction of villagers, detention of workers in shrimp farms, violation of shrimp farm worker's rights, and confiscation of land, forest and water resources.

Environmental Impact

Clearance of Mangroves

Coastal shrimp culture has been a serious threat to the natural mangroves- a breeding and nursery ground for a wide range of fishes, phytoplankton, molluscs, sea grass and other marine lives (Phillips *et. al.* 1993). The mangrove forests are being destroyed due to irrational and unplanned horizontal expansion of brackish-

water shrimp culture. This has resulted in a gradual loss of natural habitat and bio-diversity. Clearing of natural mangrove vegetation coverage affects the shrimps, crabs and finfish species as they depend on mangroves for their breeding, spawning or nursery activities. Since 1977, Bangladesh has lost more than 50 percent of the mangrove forest for shrimp culture (Katebi & Habib 1988). For example, the Chakoria mangrove forest (locally known as Sundarban) covering an area of about 8,540 ha has now nearly been extinct due to changes in current land-use practices.

Shrimp culture is also responsible for the loss of many mangrove resources. Mangroves are extremely biologically productive and for local communities mangroves are an important source of fuel, medicines, food, fodder etc. They are important not only in nutrient cycling but also as a source of nutrients for adjacent coastal ecosystems. Removal of mangroves leads to a decline in fisheries production and loss of potential for development of integrated aquaculture. Clearance of mangroves for shrimp farming not only causes colossal loss of habitat, aquatic resources and biodiversity but also increases soil erosion, vulnerability to cyclone, storms and tidal bore. Mangroves are very important in coastal protection, recreation and tourism. Soil erosion aside, clearance may cause changes in

sedimentation patterns and shore line configuration (Snedaker & Getter 1985).

Saline Intrusion

The lucrative nature of shrimp culture has led to the conversion of many paddy lands into ponds, especially in the south-west region. The main environmental issues are the potential salinization of soil and fresh water wells as salt intrudes into ground water in coastal areas after it is transported and added into ponds. Many sources of fresh water such as pond, canal, tank, swamp etc. are transformed into saline water, resulting in scarcity of fresh water for drinking, cooking, washing and cleaning. As a consequence, adaptation of various freshwater species becomes disturbed.

Adjoining lands of shrimp culture affected by salinity are not suitable for cultivation. In the south-west region of Bangladesh, particularly in Satkhira, Jessore and upper Khulna Districts saline intrusion to shrimp farm and adjacent agricultural land has now emerged as a great problem to the common people in the form of crop damage, fresh water scarcity and outbreak of gastrointestinal diseases ((Jayasanghe & De Silva 1991). Saline intrusion have resulted in degradation of agricultural water supplies and caused significant conflicts with local farmers and residents in the coastal shrimp farming areas of Thailand,

Taiwan, and the Philippines (Primevera 1989).

Furthermore, an increase in salinity as a consequence of reduced flow of river following the completion of dams, barrages and embankments normally resulted in massive destruction of mangrove forests, and eventually creates disturbance in the coastal ecosystem. The effects are multidimensional. In the absence of mangroves, fine organic particles and sediments are washed away, which definitely affects the ecosystem as nutrient traps and enrich the substratum.

Sedimentation

Infilling of ponds reduce the water exchange potential of a site, making it useless for shrimp cultivation. Sedimentation within the shrimp ponds has already adversely affected the transplanted rice production in hundreds of acres of land in the Khulna District. As a result, vast land area became useless for both the shrimp and paddy production.

Reduction of Grazing Land

With the spread of shrimp culture, a decline in the number of livestock due to scarcity of grazing land is reported in the south-west region of Bangladesh. This is due to the fact that a large segment of the cultivated area is kept submerged under tidal water for a greater part of the year.

Grasses that grew in the fellow lands that were formerly forage for cattle and buffalo heads are submerged under tidal water and as such made unavailable to them. The year round inundation of land also prevents free nitrogen fixation and thus mineralization is halted and soil fertility drops within 1-2 years (Hart & Nandy 1990).

Destruction of Planktonic Species

Collection of shrimp postlarvae is now very extensively undertaken in tidal rivers, mangrove estuaries, creeks and shallow banks. Considerable damage has been made to coastal fish stock due to fish fry catch using a variety of fine mesh net. The desired Tiger Shrimp (*Penaeus monodon*) post larvae are quickly sorted out and kept in a container with river water while the rest of the zooplankton catch are just mercilessly discarded anywhere along the shore. It has been noticed that to collect a single fry of Tiger Shrimp, around 100 young fishes are killed. Thus it causes a great loss of fishery (Khan & Hussain 1996).

Waste Product

An undeniable consequence of industrial shrimp farming is that there is a vast volume of waste produced inside the ponds by the shrimps. Feed eaten by shrimp ends up as waste. As the waste piles up, bacteria flourish and consume the available oxygen.

This can suffocate the shrimps and reduce their growth. Shrimp weakened by waste and lack of oxygen is more susceptible to disease. In order to avoid this problem, the water from inside the pond is regularly removed out and the ponds are filled in with clean water. In the process, the system results in the pollution of the neighbouring surface waters.

Water Pollution

Another consequence of industrial shrimp farming is the use of chemical fertilizers, antibiotics, pesticides, fungicides, parasiticides, and algicides. Chemical fertilizers and pesticides are used in shrimp farms for increasing land fertility and controlling undesirable species, which in turn, pollutes the nearby water bodies. During the year 1992-93, Bangladesh exported about 20,000 metric tons of shrimps. The total quantity of discarded heads and other wastes amounted to about 11,400 metric tons. The discards are mostly thrown into river that creates bad smell in the locality and causes hazards in the nearby water body resulting in environmental water pollution (Khan & Hossain 1996).

COASTAL SHRIMP CULTURE IN INDONESIA: SUSTAINABILITY ISSUES

Indonesia is a vast country of 8.7 million sq km with a total coastline

of about 81,000 km. It consists of more than 17,000 islands, spreading along the equator between Asia and Australia. The country has a total land area of 192 million ha. The coastal area covered by mangrove vegetation was 4.5 million ha, however, some mangrove areas have been converted to fishponds or other uses, bring about the reduction of mangrove area to 3.5 million ha. The estimated potential area for brackish-water ponds is 800,000 ha and existing pond area developed for aquaculture is more than 360,000 ha. Out of the total existing brackish-water ponds, more than 30 percent are practicing shrimp culture. The sizes of ponds used by more than 100,000 coastal shrimp farmers are classified into <2 ha (46.58 percent), 2-5 ha (31.3 percent), 5-10 ha (14.70 percent) and >10 ha (7.35 percent). In 1993, shrimp exports amounted to 98,569 t, worth US\$876 million (Hanafi, 1989; Anon, 1994).

The management of coastal shrimp culture in Indonesia varies from location to location and from one island to another, depending on the level of technology applied. The most important factors to be considered for successful shrimp culture are water quality and production inputs such as feed, fry and culture management. The quality of shrimp feed is determined by its nutrient composition, method of pro-

cessing and storage. There are now at least five different imported and locally made concentrated feeds available to farmers. There is hardly any monitoring of shrimp feed quality at present, thus the farmers select by trial and error method.

However, Hamid (1992) tested two different artificial feeds and found that feed conversion ratio (FCR) fluctuated ranging from 1.7 to 2.6 in one case and 1.7 to 3.3 in others. Excessive feeding caused a drastic drop in water quality, particularly dissolved oxygen content. Hanafi (1989) observed that under laboratory conditions, excessive feeding caused dissolved oxygen to drop to <1.0 ppm within two days, and all shrimp tested were found dead. The uneaten portion of the feed settled on the pond bottom, causing an increase in the organic content, which in turn resulted in an unhealthy zone. These observations indicated that feed and feeding technology have an important role in shrimp culture.

The success of coastal shrimp culture also depends on fry quality. Certification to guarantee high quality fry from hatcheries seems to be impossible at the present time. On the other hand, there are many different chemicals (probiotics, fertilizers and pesticides including tobacco dust, saponin and thiodan) involved in culture management but they are not well understood by farmers. The pro-

biotic chemicals are expensive and their effectiveness is questionable. Thiodan has a toxic effect and residues may be dangerous for shrimp. Hence, residues affected shrimp quality and in turn consumers (Hanafi and Pantjara, 1995). For the proper use of fertilizer, both the doses and nutrient requirements should be studied to minimize negative effects and cost of production.

Reasons for failures of coastal shrimp culture are many: improper site selection, poor design and layout of ponds, inadequate pond preparation and extremely high stocking densities. Improper planning resulted in a poor irrigation system, and many farmers faced problems in obtaining the right quality and quantity of seawater and freshwater shrimps. This situation induced the outbreak of shrimp diseases in many areas, hence the failure of coastal shrimp culture could not be avoided. From this bad experience many farmers changed their pond management from shrimp culture to milkfish culture, from intensive to semi-intensive culture, and some farmers completely stopped their activities for a period of time, e.g. in Central Java, out of 45 private shrimp farms, about 40 percent were no longer operational. Shrimp disease outbreaks started in 1990, with 264 ha of ponds affected, and peaked in 1995 with 4,749 ha affected (Anon, 1996).

Other factors that may reduce the quality of the environment for shrimp culture include changes in the biophysical features of the coastal areas. Some examples are forestry activities in the upper catchment of coastal rivers, pesticide use for agricultural activities, and land disturbance by industry and mining. Many coastal zones are becoming areas of intense economic, social and biological activity including over-exploitation of fisheries and other marine resources. Urban uses, recreation, industrial development and pollution are the major threat to the coastal zone and to shrimp culture. Local issues such as conflict between development and preservation of mangroves or conversion of paddy fields, serve to stress the complexity of the problems faced in planning, administrative and legislative aspects of coastal zone management. Coastal shrimp culture in Indonesia has also caused conflicts with people in surrounding areas. The nature of conflicts is similar to those found in Bangladesh.

The major constraints to sustainable coastal shrimp culture in Indonesia are: environmental degradation due to both internal and external pollutants, ineffective coastal land-use planning technically poor design and layout of brackish-water ponds, and improper culture management. The main threats are magnified due to

rapid industrial development. Efforts are being made to minimize some of these problems. Future research activities should be established to study among other issues: (i) impacts of large-scale intensive shrimp farms on immediate environment, (ii) development of high quality broodstock and fry through genetic engineering, (iii) development of immunostimulants to combat shrimp disease; and (iv) an integrated approach to proper coastal land-use and coastal zone management, with government and non-government organizations playing an important role in providing better environmental conditions for sustainable coastal shrimp culture.

CONCLUSION

Shrimp culture is a lucrative business for a small group of people. For the majority, especially for the coastal mass it is a devastating delicacy. It is hazardous to the environment and hardly benefiting socially and economically. The industry makes profit at the cost of local communities and scarcely brought any good to the local poor people. It aggravates socio-economic disparities between social groups. Mostly the outsiders who have the capacity to invest money in the venture are getting benefit out of shrimp culture.

Besides socio-economic and environmental issues, there are some other problems. Average shrimp pro-

duction per unit area in Bangladesh is one of the lowest in the world. Despite the congenial physical factors and some other advantages, yield of shrimp has not been improving significantly with few exceptions; the practice is still at a preliminary stage of expertise; expansion of area under shrimp farm is uncontrolled; management is not only unplanned but also unscientific; farming is hazardous to the environment. Moreover, the international market for the farmed shrimp is not a stable one. There are fluctuations in prices and volumes produced.

Bangladesh may choose to go for wide intensive or semi-intensive shrimp farming in the near future. The choice would undoubtedly create an ecological stress culminating in fresh water scarcity, increasing groundwater salinity, generating pollutants and discharging chemicals to contaminate marine and nearby water bodies. Above all, the process may endanger human health through the food chain. The outbreak of viral disease in many tropical countries has already given an alarming bell to intensive shrimp farming.

However, the coastal shrimp sector has a responsibility to ensure economic liability and social equity while sustaining the natural environment. We believe that with programs such ATDP and Seal of Quality (SOQ) in place, it is possible to bring Bangladesh's shrimp industry up to international standards. With government support

and greater public awareness concerning shrimp culture, Bangladesh can increase its share of the global market, especially if she could structure and facilitates reform within the sector to accommodate the changing needs of international market in an environmentally and socially acceptable way. We are optimistic that Bangladesh can become one of the leaders in the shrimp industry and ensure its future (Islam N. 2001).

Bangladesh has great potential for shrimp culture and it can make a major breakthrough in the production and export of brackish-water shrimp on a sustainable basis. To achieve the expected result, the following recommendations are put forwarded:

- Simultaneous development in the fields of hatchery, nursery and rearing technology together with the production of concentrated shrimp feed are of considerable importance;
- Shrimp fry collectors should be motivated and trained to save other organisms during their sorting of tiger shrimp postlarvae from mixed catches;
- Establishment of adequate number of hatcheries in the farming area is urgently required;
- A good cooperation among different organization and institution related to coastal shrimp farming is needed;
- Coastal shrimp culture development should not proceed indiscriminately in the mangrove forest areas rather this should be strengthened through afforestation program;
- Emphasis should be placed on integrated shrimp cum paddy (rice) culture system that is friendly to the environment, especially in the south-west region;
- Assurance of the supply of substitute food for shrimp and the equipment for shrimp farming through the entrepreneurship of Government and Non-Governmental Organizations (NGO) is of great importance;
- Ensuring a situation so that the plague of shrimp farms could be checked periodically;
- Scopes for easy loan should be made and enforced within the legal framework;
- Advice center for scientific coastal shrimp culture should be established as a priority;
- Site selection for shrimp farms should include more emphasis on environmental impact assessment (EIA) and if necessary relocate farm site to new areas;
- As traditional or extensive culture method consume large area and intensive method produce large quantity of effluents leading to viral-disease problem, semi-intensive shrimp culture with restricted stocking density combined with suitable site selection outside mang-

rove areas and improved farm management is strongly advocated;

- Production of virus-free quality shrimp is a precondition to penetrate deeply into the international market share. In this regard, development of an appropriate coastal land-use plan together with shrimp suitability mapping for intensification of culture will constitute a valuable asset towards the formulation of integrated coastal development strategy;
- Use of chemicals and disease related issues should be addressed in an urgent manner and practical guidelines should be developed based on appropriate modern technology. Because, they cause significant environmental, public health and product quality concerns;
- Legislative pressure be imposed to force the farmers adopt effluent treatment/control measures in an environment friendly manner;
- Feasibility of integrated coastal zone management should be studied in the context of protection of coastal habitats such as mangroves, other ecosystem for conservation such as soil, water, forest, fisheries, wetland resources and maintenance of bio-diversity;
- Arrangement for regular monitoring of coastal environment as well as shrimp farms ecological parameters should be made with scientific precision.

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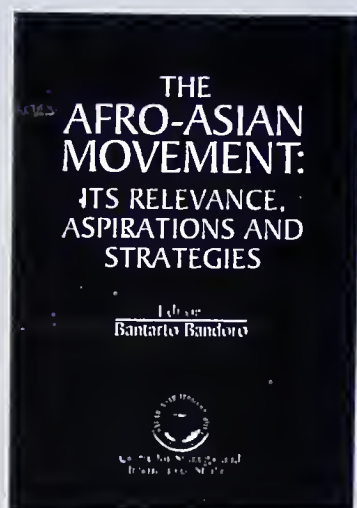
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THE AFRO-ASIAN MOVEMENT: ITS RELEVANCE, ASPIRATIONS AND STRATEGIES



Edited by: Bantarto Bandoro

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In line with the jubilee of the Asia-Africa Movement to be celebrated in Bandung 24 April 2005, this book presents papers discussing the Movement's relevance, aspiration, and strategies. With the rise of globalization, it is considered necessary for the member states of the Asia-Africa Movement to take greater participation in solving world problems and strengthening global peace. New and fresher strategies aimed at promoting peace, prosperity, and progress of the two continents are also required for the Movement to be relevant.

This compilation consists of 8 papers dealing with issues on among others: the relevance of the Asia-Africa Movement; the validity of the Bandung Spirit; the effect of current changes in world politics on the Movement's stand; the strategic partnership between the two continents; contribution of the two regions' common perceptions to the Movement's aspiration; collective responsibilities among the Movement's member countries in exploring and implementing concrete steps to propel economic growth and development; and, the long-term challenges to the Movement.

The publication of this compilation is intended for academicians dealing with international relations in general, and for those who are interested in knowing and understanding the latest development of the Asia-Africa Movement in particular.

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